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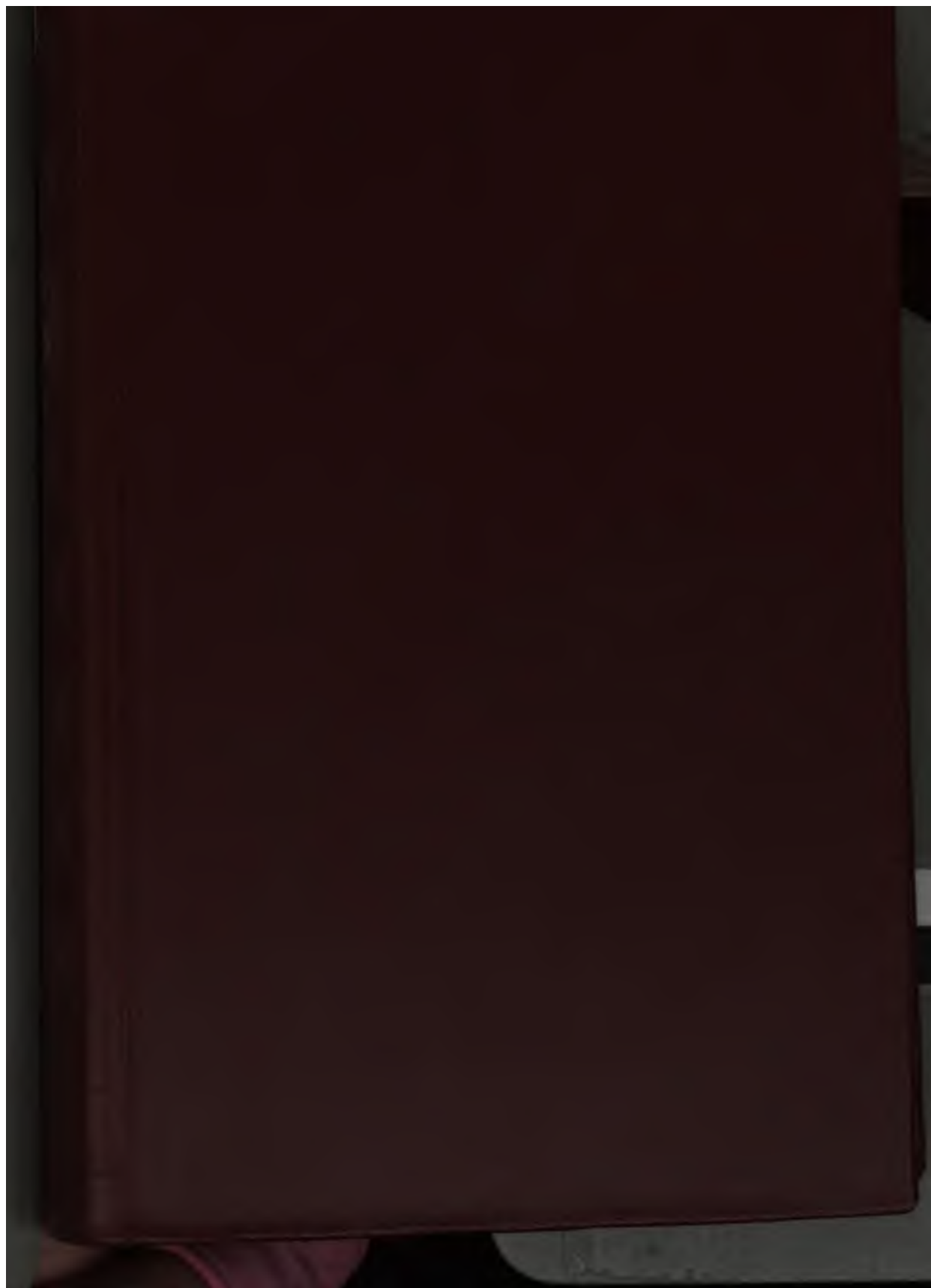
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REPORTS OF A COMMISSION

APPOINTED FOR A

REVISION OF THE REVENUE SYSTEM

OF

THE UNITED STATES

2

1865-'66.

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DAVID A. WELLS, STEPHEN COLWELL, SAMUEL S. HAYES,	}	COMMISSIONERS.
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SECRETARY TO THE COMMISSION, E. B. ELLIOTT.

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WASHINGTON:  
GOVERNMENT PRINTING OFFICE.  
1866.

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LETTER  
FROM THE  
SECRETARY OF THE TREASURY,  
TRANSMITTING

*The report of a commission appointed for the revision of the revenue system of the United States.*

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TREASURY DEPARTMENT, *January 29, 1866.*

SIR: Herewith I have the honor to present to you a report from Messrs. David A. Wells, Stephen Colwell, and S. S. Hayes, appointed a commission for the revision of the revenue system of the United States, in accordance with the provisions of the 19th section of the amendatory act of Congress, approved March 3, 1865.

In presenting this report, it may be proper for me to remark that, with the single exception, perhaps, of the one in regard to the time at which the payment of the principal of the national debt should be commenced, the recommendations of the commission have my hearty approval. The very important work devolved upon the commission, as far as it has been prosecuted, has been most admirably performed. I earnestly ask that the report may receive the early and careful consideration of Congress.

I am, very truly, your obedient servant,

HUGH McCULLOCH,  
*Secretary of the Treasury.*

HON. SCHUYLER COLFAX,  
*Speaker of the House of Representatives.*

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REPORT OF THE UNITED STATES REVENUE COMMISSION.

TREASURY DEPARTMENT,  
*Office of the U. S. Revenue Commission, January, 1866.*

SIR: The undersigned, members of the commission appointed by the Secretary of the Treasury in accordance with the provisions of section 19 of the amendatory act of March 3, 1865, "To provide internal revenue," &c., have the honor to submit the following report:

The following are the provisions of the act, above referred to, constituting this commission:

"That the Secretary of the Treasury is hereby authorized to appoint a commission, consisting of three persons, to inquire and report at the earliest practicable moment upon the subject of raising by taxation such revenue as may be necessary in order to supply the wants



of the government, having regard to and including the sources from which such revenue should be drawn, and the best and most efficient mode of raising the same, and to report the form of a bill; and that such commission have power to inquire into the manner and efficiency of the present and past methods of collecting the internal revenue, and to take testimony in such manner and under such regulations as may be prescribed by the Secretary of the Treasury."

The commission, thus authorized, became fully organized in June, 1865, by the appointment of the following members: David A. Wells, of New York; Stephen Colwell, of Pennsylvania; and Samuel Snowden Hayes, of Illinois—with E. B. Elliott, of Massachusetts, as secretary; and has, since then, been constantly engaged in the discharge of the duties assigned to it.

The creation of a commission charged with the investigation of important public questions with reference to future legislation, and, at the same time, consisting of other than members of the National Legislature, was undoubtedly a novelty in American experience. It finds, however, frequent precedents both in Great Britain and in France, and is believed to present some obvious advantages over the methods, ordinarily followed, of conducting such investigations through congressional committees.

In the present instance, a more unrestricted opportunity has been afforded to the commission for personally inquiring into and making themselves practically acquainted with the nature and character of some of the great sources of national revenue, and of observing the operation of the revenue laws in respect to the same, than could have been well enjoyed by a congressional committee, upon the members of which would have rested, at the same time, the onerous and responsible duties of legislation, the many and varied claims of constituents, and also, to a greater or less extent, the claims of important private interests. The commission, therefore, in view of these advantages, confidently anticipate that the first result of their labors, as now presented, may receive the unbiased judgment of the Congress to which they are to be submitted.

Previous to the year 1861 the United States stood before the world in the anomalous position of a great nation with, substantially, no national debt. Since then the measures required for the maintenance of the national existence have entailed upon the nation a debt rivalling or exceeding in magnitude the accumulated deficits of any of the old states of Europe, and rendering necessary the collection of an annual revenue which, though at present somewhat indefinite, may be safely stated as unparalleled by the collections of any other nations, with the exception of France and Great Britain. The question of the hour, then, is, "In what manner shall this debt be treated, the payment of its interest be provided for immediately and recurringly, and the payment of its principal gradually, without impairing the strength and resources of the nation, or of arresting its progress and development?" To endeavor to answer this question in part, is the business with which the commission find themselves charged by the appointment of the Secretary of the Treasury and the authority of Congress.

The same exigency which created the debt, has also rendered it expedient that the nation should thus far avail itself of every means in its power to raise, by direct and indirect taxation, the largest possible revenue in the least possible time, without much regard to acknowledged politico-economic laws or precedents; so that, at the present time, the sources of national revenue may be said to be commensurate and co-extensive with every department or sub-department of trade or industry in the country, as well as of every form of fixed or circulating capital.

It accordingly became apparent to the commission, at the outset, that any attempt to embrace in their investigations, prior to the time of the presentation of a first report, the whole field of inquiry assigned to them, would not only be impracticable, but, also, that any effort with this object in view would, from its

necessary diffuseness, lead to no practical or satisfactory results. They therefore, in default of any specific instructions, either from Congress or the Secretary of the Treasury, other than were contained in the act authorizing the commission, adopted the plan of taking up specifically, for investigation, those sources of revenue which our own experience and the experience of other countries have indicated as likely to be most productive under taxation, and most capable of sustaining its burdens. The result of these investigations the commission propose to submit in the form of independent and special reports.

In carrying out this plan, they have sought to make themselves practically acquainted with each subject of inquiry by personal inspection, (when the investigation related to a specific branch of industry,) and by putting themselves in all cases into direct and frequent communication with revenue officials, and with representative business men from every section of the country. The commission have also, in most cases, caused the information communicated to them to be received in the form of testimony, under oath, and to be faithfully reported; and they express the hope that Congress will consider it expedient to order this record to be preserved in printed form. Representing, as it does, the experience and matured opinions of the best business men of the country, each speaking about his own profession, and often revealing facts which, in daily life, are screened from the public eye, this testimony cannot but be of great value for future reference; and in laying it before Congress and the people of the country, the commission feel that they will have rendered an important service, whether their specific recommendations shall be adopted or not. The parliamentary archives of Great Britain contain many such repertories of evidence, to the value of which the public men of England, and the scientific inquiries of all countries, have again and again testified.

It is evident that the work of the commission, prosecuted in the manner described, must necessarily be protracted and laborious. The six months during which they have been occupied have scarcely been sufficient for becoming acquainted with the requirements of their work, and for the gathering of materials to serve as the basis of investigation; and the *unconsidered* statements and memorials touching the relation of the business interests of our country to our revenue system, which have thus far accumulated in their hands, will require at least six months for their proper examination and discussion. They accordingly offer no apologies, if in this their present report the extent of their investigations should seem too limited for the time during which they have been occupied.

One of the greatest difficulties encountered from the outset has been to obtain exact and comprehensive information; and the commission, as the result of their experience, feel warranted in asserting that no full and reliable statistics concerning any branch of trade or industry in the United States, with possibly a few exceptions, are now or have ever been available.

The census of 1860, only made available for detailed reference some four or five years after its enumeration, has been to the commission of but little service. Nor do the statistics which have been furnished from time to time by the Treasury Department afford the knowledge of those facts which are so essential as a groundwork for the labors of the commission.

On the 9th day of August, 1865, in response to a call for information relative to the importation of spirits distilled from grain, and the duties accruing therefrom, the following returns were sent:

## REVENUE SYSTEM OF THE UNITED STATES.

*Statement (submitted August 9) exhibiting the quantity of spirits distilled from grain imported into the United States, with rates of duty and imposts accruing thereon, during the fiscal years ending on the 30th of June, 1862 to 1864, inclusive.*

Year ending—	Gallons.	Duty per gallon.	Duties.
June 30, 1862.....	1,137,082	\$0 50	\$568,541
June 30, 1863.....	1,064,576	1 00	1,064,576
June 30, 1864.....	667,163	1 00	667,163

Subsequently the commission, finding that the above returns did not in any degree correspond with the statements of the New York trade, called for a re-examination of the same, and, in answer to their call, were furnished with a re-statement of the foregoing returns, as follows:

*Statement (submitted November 2) exhibiting the duties collected upon the importations of spirits distilled from grain, at Boston, New York, Philadelphia, Baltimore and San Francisco,\* during the fiscal years ending June 30, 1862 to 1863, and 1864.*

Year ending—	Gallons.	Duty per gallon.	Duties.
June 30, 1862.....	30,190	\$0 40 to 50	\$14,530
June 30, 1863.....	45,363	1 00	45,363
June 30, 1864.....	175,144	1 00	175,144

In further illustration, they also submit copies of the returns sent to the commission, under dates of September 12 and November 2, 1865, respecting the imports and duties accruing on chiccory.

*Statement (submitted September 12) exhibiting the quantity and value of chiccory imported into the United States, with rates of duty and imposts accruing thereon, for the following years:*

	Pounds imported.	Duties accruing.
Year ending June 30, 1862.....	7,451,771	\$215,840
Year ending June 30, 1863.....	10,641,350	305,980
Year ending June 30, 1864.....	5,243,760	107,000

*Statement (submitted November 2, 1865) exhibiting the duties collected on the importations of chiccory, &c., at Boston, New York, Philadelphia, Baltimore and San Francisco\* for the following years:*

Year ending—	Pounds.	Duty per pound.	Duties.
June 30, 1862.....	7,069,186	1 to 2 cents.	\$102,600
June 30, 1863.....	5,215,105	2 to 3 “	140,402
June 30, 1864.....	5,825,346	3 to 4 “	† 160,750

\* Returns from San Francisco received only up to April 30, 1864.

† Although the latter table embraced only the five principal ports, yet it will be observed that the quantity and value of chiccory imported in the year 1864, as given therein, exceed amount those given in the former table, which purported to include the returns from all the ports in the United States.

Subsequently the commission called for a statement of imports, exports, and values of various articles for the fiscal year 1864-'65, and under date of December 19, 1865, they received the following statement, with others, respecting the coffee trade of that year :

## Imports :

Quantity, pounds.....	104, 316, 581
Value.....	\$10, 966, 541

## Exports :

Quantity, pounds.....	21, 962, 943
Value.....	\$5, 687, 856

## Estimated consumption :

Quantity, pounds.....	82, 353, 638
Value.....	\$5, 278, 685

The duties received on the above quantity consumed were, at five cents per pound, \$4,117,681.

It will be seen from the above statement that the value of all the coffee imported during the year was returned at ten and a half cents per pound, when the actual fact was that the average invoice price of the coffee imported in the United States during the year 1865 was not less than thirteen cents, and was probably in excess of that figure. Looking next at the treasury statement of the exports of coffee, we find that the 21,962,943 pounds sent out of the country during the same year had *the extraordinary value of nearly twenty-six cents per pound*; while the 82,353,638 pounds retained for consumption had a *value of only six and four-tenths cents per pound*; and finally, the value of the quantity retained for consumption, \$5,278,685, paid, at the duty of five cents per pound, an aggregate of \$4,117,681, *being seventy-eight per cent. of the whole value.*

The truth is, that until of late no occasion has existed to call for the preparation by the Treasury Department of correct statistical data concerning the commerce of the country, and consequently but little attention has been paid to this matter. The changed state of affairs, the present difficulties experienced by this commission, and the future difficulties which in many ways must occur from the want of correct and detailed commercial statistics, will, it is hoped, induce Congress to make careful provision for their preparation and publication.

In the Bureau of Internal Revenue a better system prevails, and the published returns of revenue and the amounts received from specific sources are believed to be substantially correct. Overburdened, however, as this bureau was with work, and delayed by a want of promptness on the part of district collectors,\* many of whom are destitute of business experience, it was unable to furnish the commission with any detailed statement of its specific sources of revenue for the fiscal year ending June 30, 1865, until nearly six months thereafter.

Another great source of difficulty experienced by the commission in conducting their investigations, with a view of arriving at any correct estimates of the future revenue of the country, has been the abnormal and disturbed condition of every branch of trade and industry since 1861, owing to the effects of the war, the frequent alterations of the tariff, and the inauguration of the internal revenue system. Many branches of trade and industry have been curtailed during this period from *thirty to seventy-five per centum*, and some few have been entirely destroyed.† Every advance made in the tariff and in the excise has,

\* By a circular of the Commissioner of Internal Revenue, dated December 29, 1865, it appears that during the previous four months alone over three hundred and fifty errors in the returns of district collectors, in sums varying in amount from a few cents to nearly sixty thousand dollars, were detected.

† See *Special Report on Distilled Spirits.*

moreover, been anticipated to such an extent by every class of importers, dealers, manufacturers, and speculators, that it cannot be said as yet that the government has fully tested the capacity of any one of what may be considered a great and legitimate sources of revenue. Thus, for example, the commission estimate that on the 1st of July, 1864, the date when the advance in the tax on distilled spirits, of from sixty cents to one dollar and fifty cents per gallon, took effect, *there were made and stored*, in anticipation of this advance, *at least 7 millions of gallons*, or a quantity sufficient to supply the wants of the country for at least a year in advance. Since July 1, 1864, therefore, the receipts of the government from distilled spirits have, from this cause, necessarily been considerable. Of cigars, in like manner, it is estimated that from seven to eight millions were manufactured and stored in the city of New York alone in anticipation of the tax. The stock of spices imported into the country, previous to the advance of the tariff, was also probably equal to nearly two years' supply; while in the case of the insignificant article of matches, on which the tax is only one cent per bunch, the stock accumulated in anticipation of the tax was so large, that it has not, even at the present date, (January, 1866,) been entirely exhausted.

This abnormal condition of things, coupled with the fact that the excise tax has been levied, to a great extent, on a basis of greatly inflated values, renders extremely difficult to predicate anything with certainty concerning the future from the immediate past.

Before entering into any discussion on the working of our present revenue system, and of the changes which it may be expedient to make in it, the commission would ask attention to a brief *résumé* of the revenue systems of the countries of Europe which are most akin to the United States in population, resources, and development—France and Great Britain. In both of these countries the necessity of large taxation, extending over a period of many years, has induced a thorough investigation of the subject, and the record of their experience cannot be profitably ignored in the framing of a permanent system for the United States.

#### REVENUE SYSTEM OF GREAT BRITAIN.

The close of the great European war, in 1815, found Great Britain with a complex system of taxation, the growth of her necessities at a period when military and naval expenditures, and the burden of an increasing debt, tasked the ingenuity of ministers to devise new sources of revenue. "The system of imposts was omniscient; it seized on every article which by any possible means an Englishman could want." More than a thousand different kinds of goods for produce paid tribute at the custom-house, while the heavy hand of the exchequer was laid on many articles of home production and of indispensable domestic use.

Navigation laws—long before adopted to control the carrying trade between Great Britain and her colonies and the rest of the world—had operated to restrict foreign commerce; and corn laws, enacted in the interest of the landed aristocracy, had carried the food of the people to starvation prices. The law of 1800 wholly prohibited the importation of foreign wheat till the home price reached eighty shillings a quarter, or about \$2 50 a bushel. Under the operation of this law the price of wheat rose from sixty-four shillings a quarter in 1811 to an average of ninety-four shillings in 1817, and in June of that year reached the frightful figure of one hundred and twelve shillings and eightpence, or \$3 12 a bushel. Trade languished, the people were starving, and bread riots disturbed the peace and menaced the safety of the kingdom. This state of things gave birth to the struggle between the landed proprietors and the manufacturers, which ended thirty years afterwards in the repeal of the corn laws and the triumph of free trade. The workmen clamored for cheaper food, while the

employers petitioned Parliament to extend their markets. The war, with its restrictions on foreign intercourse, had made England the chief manufacturer of the world. A dense population, colonies planted in every clime, a great mercantile marine, and the possession of abundant coal and iron, and of much private capital, supplied conditions to cheap production and a wide diffusion of products such as set the competition of other nations at defiance.

These natural and acquired advantages were, however, in a measure neutralized by unwise commercial restrictions and burdensome taxes, but with the restoration of peace these burdens began gradually to be removed. The commerce of the east had been set free from the monopoly of the East India Company in 1814. The treaty of reciprocity with the United States in 1815, which was followed by similar treaties with the European powers, and alterations made in the navigation laws in 1822, opened the British islands more freely to foreign commerce, and at the same time enlarged the carrying trade of British ships. Heavy duties on raw materials, and materials partly wrought, entering into domestic manufactures, were repealed or greatly lessened; and though the duties on foreign fabrics were, also lowered, the importation of some of them seriously interfered with the home manufacturer. In silks alone the French were superior, and against that superiority the British manufacturer was protected by restrictive duties, down to the ratification of the treaty with France in 1860, when, for the sake of advantages to be gained in the export to France of coal, iron, machinery, and other British products, the silk duties were repealed.

From 1815 to 1840 the condition of the manufacturer was steadily improving; but great ameliorations were still needed before the productive capacity of the country could obtain its full development. Foreign competition in the home market had long ceased to be feared, and the only hindrances now lay in domestic restrictions. A parliamentary report in 1840 showed that out of a customs revenue of £22,000,000, £20,000,000 was derived from duties on raw materials and on food; and it disclosed the still more remarkable fact that ninety-four and a half per cent. of this revenue was levied on seventeen articles, while more than eleven hundred articles contributed to make up the residue of five and a half per cent., being the insignificant sum of £1,250,000. In the more numerous category were included all foreign manufactures except of silk.

It thus appeared that the duties on the foreign imports of Great Britain were a direct tax on the home producer; the high price both of raw materials and of food helping to swell the cost of manufactures, and thus benefiting the foreign competitor. "A nation of manufacturers can only subsist as they sell their produce, and they can sell their produce only as they sell it cheap. But the ability to sell their produce cheaply implies a cheap command of the raw material and of the workman's food; to tax these is to decree the nation's ruin and involve all classes alike in bankruptcy and pauperism."

This was the argument of the Manchester party in 1840, and it speedily came to be the creed of the nation. The policy of protection to agriculture yielded at last, and the revenue system was subordinated to the more important end of creating national wealth. All duties burdensome to the manufacturer were repealed, both in the nature of customs and excise, the policy being to enable the British producer to apply the largest amount of home labor to the smallest value in foreign staples, under conditions which enable him to put his product into foreign markets at the lowest possible cost.

This principle is the key to British free trade, and it is claimed to be of universal applicability; but it may be gravely questioned whether it is not protection in a more subtle form. Such is the opinion of M. Block, a modern French economist of eminence, who classes under protective measures the freeing of raw materials and of food from customs duties.

Having described the influences which have determined the present revenue system of Great Britain, we proceed to give the details of the modern budget.

The gross revenues of the United Kingdom for the year ending Mar 1865, were as follows :

Customs .....	\$115, 02
Excise .....	97, 04
Stamps .....	47, 65
Land and assessed taxes .....	16, 43
Income and property taxes .....	39, 92
Post office .....	20, 85
Crown lands .....	2, 21
Miscellaneous .....	14, 96
Total .....	<u>354, 13</u>

Of the *customs revenue* (\$115,023,808) twenty-five specified articles yielded only \$49,431. balance, appearing under the head of customs, was derived from the duties on British spirits collected at the custom-house, (\$1,468,445,) and from petty sources.

The chief portion of this class of revenue was derived from the following twelve articles :

Coffee and chiccory .....	\$2, 60
Corn-meal and flour .....	2, 83
Currants and raisins .....	1, 82
Spirits .....	16, 52
Sugar and molasses .....	27, 11
Tea .....	22, 35
Tobacco and snuff .....	30, 57
Wine .....	6, 59
Wood and timber .....	1, 38
	<u>111, 82</u>

Of the *excise* (\$97,141,618) the sum of \$97,048,180 was derived from specified articles, viz :

Chiccory .....	\$5
Hackney carriages .....	51
Licenses, including game licenses .....	10, 72
Malt .....	31, 97
Race-horses .....	3
Railways .....	2, 19
Stage-carriages .....	64
Spirits .....	50, 88
Sugar .....	2
	<u>97, 04</u>
All other articles .....	9
	<u>97, 14</u>

Of the *stamp duties* (\$47,659,870) the greatest portion was collected under the following heads :

Deeds and other instruments .....	\$8, 18
Probate of wills and letters of administration .....	7, 55
Bills of exchange .....	3, 84

Commutation on bank notes.....	\$645, 015
Receipts, drafts, and other <i>ld.</i> stamps.....	2, 501, 245
Marine insurances.....	1, 993, 840
Licenses and certificates.....	655, 920
Newspapers.....	587, 735
Legacies and successions.....	11, 689, 970
Fire insurances.....	7, 861, 980
Probate court fee stamps.....	674, 300
Patents for inventions.....	567, 895
Sundry minor classes.....	

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47, 659, 870

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The *land tax* yielded..... \$5, 619, 600

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The *assessed taxes* were mainly under the following heads :

Inhabited houses.....	\$4, 584, 030
Servants.....	1, 056, 220
Carriages.....	1, 794, 005
Riding horses.....	1, 256, 785
Other horses and mules.....	690, 000
Dogs.....	1, 051, 650
Armorial bearings.....	307, 495
Unenumerated.....	79, 885

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10, 820, 070

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The following are about the percentages yielded by each item to the revenue : customs, 32 ; excise, 28 ; stamps,  $13\frac{1}{2}$  ; land and assessed taxes, 5 ; income and property taxes, 11 ; post office,  $5\frac{1}{2}$  ; miscellaneous, 5.

Of the *customs* revenue, ninety-one per cent. was derived from five articles : spirits, sugar, tea, tobacco, and wine.

Of the *excise*, ninety-seven per cent. was derived from licenses, malt, and domestic spirits.

Intoxicating beverages and tobacco yielded nearly forty per cent. of the total revenue.

The most productive *stamp duties* were those on the conveyance and transmission of property, deeds, probate of wills, and legacies and successions. Next to these stood stamps on policies of insurance.

The *direct tax on land* seems very small, being only about one and a half per cent. of the total revenue ; but estates and interest in land are reached through the income tax, of which nearly sixty per cent. (under schedules A and B) is assessed on real property and the profits of occupying it.

The *income tax* is at present six pence in the pound, or more than four per cent. on the assessed valuation. This tax, originally created by Mr. Pitt, in 1798, as a war tax, was repealed in 1815, when it yielded \$75,000,000. It was re-imposed by Sir Robert Peel, in 1842, to enable him to make his reductions of the tariff. It has varied from five pence to one shilling and four pence, (during the Crimean war,) and, though long treated by the chancellor of the exchequer as a temporary expedient, has been found too useful to be dispensed with, and it is likely in future to have a permanent place in the Budget.

Such are the leading features of the British revenue system. Having always a regard to the exemption of home industry from burdens, Great Britain thus raises her taxes : 1. From articles of necessary and large consumption, as tea,



sugar and coffee. 2. From articles of indulgence, as spirits, beer, (m  
bacco, and wine. 3. From licenses and other taxes on occupations. 4  
stamps on legal documents, the conveyance and descent of property, and  
ments of business. 5. From occupied houses, and the luxuries of livi  
vants, horses, dogs, and carriages. 6. From incomes derived from  
property and professional and other earnings. 7. From the post office.

## REVENUE SYSTEM OF FRANCE.

The ordinary revenue of France, according to the Budget of 1865,  
rivable from the following sources :

Direct taxes.....	\$63, 0
Registration, stamps, and public domains.....	81, 4
Royal forests.....	8, 0
Customs duties and salt.....	29, 4
Indirect taxes.....	115, 6
Post office.....	14, 4
Sundry revenues.....	26, 4
Produce of miscellaneous taxes.....	11, 7
Total.....	350, 4

To understand the foregoing table, it will be necessary to analyze the  
items, and finally to rearrange them, arbitrarily, with a view to a more  
gible classification.

The *direct taxes* are made up as follows :

Land tax.....	\$33, 6
Tax on persons and on tenant occupancy.....	9, 6
Doors and windows.....	7, 2
Licenses ("patentes").....	11, 8
Pleasure horses and carriages.....	4
First warning to newspapers.....	1
Total.....	63, 0

The *land tax* is assessed, not on the real value of the land, but on  
rental or income, receipts and expenditures being estimated on an ave  
ten years. If there are buildings, they are separately assessed on t  
principle, the land on which they stand being valued as if for cultivatio

The tax on *persons* is in the nature of a poll-tax, and is estimate  
value of three days' labor, according to the average price paid in the co

The tax on *tenant occupancy* ("contribution mobilière") is impose  
occupants of rented dwellings, and is usually nine or ten per cent. of the

The tax on *doors and windows* is according to a fixed scale ; it is levi  
on occupied houses, and is usually paid by the tenant.

The *license tax* ("patente") is a tax on trades and occupations, and  
tain of the liberal professions. The amount of it is regulated by the n  
the occupation, having regard to the population of the city or town wh  
exercised, and by the rental of the premises in which it is carried on.  
dispensable is this license, that without it the person of whom it is  
cannot sue in a court of justice, have the benefit of any judicial deci  
receive any magisterial certificate.

The revenue from *registration*, *stamps*, and *public domains* is thus distributed :

Registration, mortgages, &c.....	\$63, 844, 400
Stamps.....	15, 255, 600
Sales from and income of public domains, &c.....	2, 437, 883
	<hr/>
	81, 537, 883
	<hr/>

*Registration* is the necessary mode of authenticating various private acts and events, and it is imposed chiefly with a view to revenue. All judicial and magisterial acts are required to be recorded for this purpose, as well as for perpetuating evidence.

*Stamps* are of two sorts—the one, impressions stamped by government officers on paper, which is required to be used for certain classes of documents ; and the other, movable stamps, like the revenue stamps of the United States, which are used and cancelled in the same manner.

The receipts for sale of property and other income from the *public domains* are of a miscellaneous character, and of small amount, and need not be specified.

The chief produce of the *royal forests* is wood and timber, the sale of which yielded the considerable sum of eight millions of dollars.

*Customs duties and salt*.—This head of the revenue is divided into import duties on—

Miscellaneous merchandise .....	\$14, 439 200
Colonial sugar.....	7, 058, 600
Foreign sugars.....	2, 285, 000
	<hr/>
	23, 782, 800
Export duties.....	82, 000
Navigation dues.....	832, 600
Sundry customs duties .....	278, 000
Duty on the consumption of salt, collected through the custom-house.....	4, 509, 600
	<hr/>
	29, 485, 000
	<hr/>

*Indirect taxes* are thus distributed :

Duties on beverages.....	\$42, 685, 400
Duties on consumption of salt, not collected at the custom-house,	1, 683, 000
Duties on domestic sugar.....	11, 786, 000
Produce of government sale of tobacco.....	45, 295, 600
Produce of government sale of gunpowder.....	2, 550, 800
Sundry and miscellaneous duties.....	11, 599, 600
	<hr/>
	115, 600, 400
	<hr/>

Under the head of *sundry revenues* are the following :

Revenue from the universities.....	\$571, 700
Revenue from Algeria.....	3, 850, 000
Sums reserved and saved from civil pensions.....	2, 915, 740
Increase of sinking fund.....	19, 104, 549
	<hr/>
	26, 441, 989
	<hr/>

Among the *miscellaneous taxes* (\$11,736,360) are taxes on estates in main; on patents for inventions; on telegraphs; profits in new issue of currency; revenues from prisons and houses of correction, &c., &c

The following classification seems to us to present the sources of *r* more clearly than that adopted in the French budget:

Direct taxes, ownership and use of land and buildings, poll-taxes, licenses, &c.....	\$63, 07
Registration, stamps, &c.....	81, 55
Royal forests (wood and timber sold).....	8, 00
Customs duties on foreign merchandise.....	14, 45
Exports, navigation, and other miscellaneous customs duties....	1, 15
Sugar, import duties on colonial.....	\$7, 058, 000
Sugar, import duties on foreign.....	2, 285, 000
Sugar, excise duties on domestic.....	11, 786, 000
	21, 15
Salt, collected through custom-house.....	4, 509, 600
Salt, collected elsewhere than custom-house.....	1, 683, 000
	6, 19
Beverages.....	42, 68
Tobacco, sale of.....	45, 25
Gunpowder, sale of.....	2, 55
Sundry indirect taxes (not enumerated).....	11, 55
Post office.....	14, 45
Revenue from Algeria.....	3, 85
Income of sinking fund.....	19, 10
Miscellaneous.....	15, 25
Total.....	350, 40

It will be seen by the foregoing analysis that direct taxes, registration, customs duties, sugar, beverages, and tobacco, yielded more than seven per cent. of the whole revenue, in the following proportions: direct taxes (excluding sugar,) four and a half per cent.; sugar, six per cent.; beverages, twelve per cent.; and tobacco, thirteen per cent. The deficit in the budget for 1864 is reported at about 50,000,000 francs.

Comparing the French with the English revenue system, we observe the exemption from taxation of home industry, especially of those manufactures which find a market in foreign countries. Land is subjected to heavier burdens in France than in England, and the freedom of occupation and action is strained by heavier exactions in the way of licenses, stamps, and registration. The revenue derived from foreign imports is trifling in comparison with the customs revenue of Great Britain. The appetites and indulgences of the people are reached alike in both countries by heavy taxes on sugar, beverages, tobacco, and in both the post office is made to contribute a large revenue.

Of the two systems, the nature and details of which we have thus sketched, the English is the only one which especially commends itself to the attention of the American investigator; and this system, the result of long experience in the economy of taxation and national development, and the perfecting of which the best efforts of British statesmen for at least a quarter of a century have been assiduously given, affords, in the opinion of the commission, some indications for determining what ought to be the revenue policy of the United States. And in saying this the commission does not wish to be understood as recommending any servile imitation of details; *nothing seems more evident* than that a revenue system for a particular country

be framed theoretically or copied from any other, but must in every case be adapted to the resources of the country for which it is designed, and the aptitudes and capacity of its people.

Upon no one point are writers on the theory of taxation better agreed than that taxation of raw materials is to be avoided as far as possible; but yet, the experience and practice of the government of British India in respect to opium, saltpetre, and shellac; of Holland in respect to the coffee, spices, and sugar of Java and Sumatra; of China with her tea; Portugal with her wines, Peru with her guano, it would be hardly the part of wisdom and sound policy for the United States to legislate on general principles only in respect to those of which they, like the nations referred to, have also a virtual monopoly, and the supply of which other territories than their own are dependent.

#### THE NATIONAL REVENUE SYSTEM.

The diffuseness of the present revenue system of the United States is doubtless one of its greatest imperfections, and under it the exemption of any article from taxation is the exception rather than the rule. To assert this, however, is not an action on the judgment or skill of its authors. The system was framed under circumstances of such pressing necessity as to afford but little opportunity for any careful and accurate investigation of the sources of revenue; but it has most certainly accomplished the attainment of the end designed, namely, the raising of revenue, and the country to-day is undoubtedly receiving by tax far more revenue than is necessary for its legitimate expenditures. As a result, therefore, our present revenue system is a most honorable testimonial not only to the wisdom of its authors, but to the patriotism of the people, who have *endured* but *welcomed* the burdens it imposed upon them.

The system of taxation, however, so diffuse as the present one, necessarily entails a system of duplication of taxes, which in turn leads to an undue enhancement of prices, a decrease both of production and consumption, and consequently a restriction of exportations and of foreign commerce, and a large waste in the machinery and expense of the revenue collection.

In respect to the injurious influence of this duplication of taxes upon the industry of the country the commission cannot speak too strongly. Its effect has already been most injurious. It threatens the very existence—even with the protection of inflated prices and a high tariff—of many branches of industry; with a return of the trade and currency of the country to anything approximating its normal condition, it must, by checking development, prove highly ruinous.

The influence of the duplication of taxes in sustaining prices is also, in the opinion of the commission, far greater than those not conversant with the subject generally estimate; and were the price of gold and of the national currency at once to approximate, and the present revenue system to continue unaltered, it would be impossible for the prices of most products of manufacturing industry to return to anything like their former level. In proof of this the commission ask attention to the following illustrations:

Section 94 of the act of June 30, 1864, a tax of five per cent. (or its equivalent in specific duties) was imposed upon the sale of most of the industrial products of the country; lumber, breadstuffs, maple and sorghum sirups and syrups, whale and fish oils, and a few other articles, excepted.

By the amended act of March 3, 1865, an increase of twenty per cent. was made to the above rates, making the present *general* manufacturing excise tax twenty per cent. *ad valorem* on the sale prices of the product.

Under the operation of this law the government now levies and collects from ten to fifteen per cent. (and even in some instances twenty per centum) on almost every finished industrial product. In order to fully understand the

reason of such conclusions, it must be borne in mind that but comparatively few products of manufacturing industry come to the consumer as the result of one process, but that the finished product is almost always an aggregate of several distinct and separate manufacturing processes.

A good illustration of this principle, and of the working of the revenue laws in respect to the same, drawn from one of the many statements of experience submitted to the commission, is presented in the manufacture of umbrellas and parasols, as carried on in the cities of New York and Philadelphia. It was formerly the practice of umbrella-makers to manufacture the main constituents of their product as one business; but now the business of an umbrella manufacturer is rather to assemble the various constituents of an umbrella or parasol, which are made separately, and in different parts of the country. Thus, for example, the sticks, when of wood, are made in Philadelphia and in Connecticut, part of native and part of foreign wood, on which last a duty may have been paid. If the supporting-rod is of iron or steel, it is the product of still another establishment. In like manner the handles of carved wood, bone, or ivory, the brass runners, the tips, the elastic band, the rubber of which the band is composed, the silk tassels, the buttons, and the cover of silk, gingham, or alpaca, are all distinct products of manufacture; and each of these constituents, if of domestic production, pays a tax when sold of six per cent. *ad valorem*, or its equivalent. The umbrella manufacturer now aggregates all these constituent parts, previously taxed, into a finished product, and *then pays six per centum on the whole*. It is therefore evident that under the present excise system all the parts of the umbrella are taxed *at least twice*, and in some instances *three times*, thus adding from twelve to fifteen per cent. to the cost of the umbrella direct; while we may feel certain, moreover, that each separate manufacturer makes the payment of the six per cent. tax on his special product an occasion for adding from one to three per centum additional to its cost price. In some instances known to the commission this addition, thus made by the manufacturer, by reason of the payment of his general manufacturing tax, has amounted to over six per cent.

Again, in the case of books, pamphlets, &c., a tax imposed on which, being a tax upon knowledge, can only be justified on the grounds of imperative necessity, it is claimed that, including licenses and income tax, the finished book, and its constituent materials, pay from twelve to fifteen distinct taxes before it reaches the reader. Every separate item that enters into the book—paper, cloth, boards, glue, thread, gold-leaf, leather, and type material—pays from three to six per cent. in the first instance, and then five per cent. on the whole combined; and this not upon the *cost* of the manufactured article, but upon the price at which it is sold.

On cotton fabrics the tax now levied and collected ranges, according to the quality of the goods, from *nine* to *fourteen* cents per pound.

On refined sugars, the tax on gross sales, by reason of an inequality of adjustment between the tariff and the excise, is now claimed to be nearly equivalent to all the additional value conferred upon them in refining by all the labor employed therein. Other articles, such as wagons, locomotives, &c., might equally well be cited as illustrations.

Such a system as this violates all the fundamental principles of taxation, inasmuch as the taxes are neither definite in amount, equal in application, nor convenient of collection. While this system prevails, furthermore, it seems useless to talk of reducing prices to anything like their former level, by a reduction or contraction of the currency.

A similar duplication of taxation to that above described must, in the opinion of the commission, also attend the adoption of a tax on sales, which at present seems to find much favor throughout the country. Local taxes on industrial circulation in every State, county, township, and village of the Union would be

confessedly calamitous; but they could not be as bad as a frontier drawn around each individual in the nation, over which nothing could pass in or out, not smitten with a tax—repeated at each border.

Another matter of more serious importance, in its bearing upon the industry of the country, than the duplication of taxes, is the lack of equalization or adjustment between the tariff and the excise.

This subject, which the commission, from lack of time, have not been able to investigate as fully as they desired, but upon which they propose to present a special report, demands the serious and prompt attention of Congress. The nature of this inequality can be better illustrated by example than by argument.

We take as before, and as offering the most striking illustrations, the cases of the umbrella and the book industries. In the case of the umbrella and parasol manufacture, the cover, as a constituent element of construction, represents from *one half to two-thirds* the entire cost of the finished article. The silk, the alpaca, and the Scotch gingham, of which the covers are made, are all imported; the former *paying a duty of sixty per cent.*, and the latter two *about fifty per cent. ad valorem*; the variation being slight on the quality of texture. The manufactured umbrella, covered with the same material, whose constituent parts are not taxed, either on the material used in their fabrication or on their sale, is, however, admitted under the present tariff at a *duty of thirty-five per cent. ad valorem, or at a discriminating duty against the American and in favor of the foreign producer of from fifteen to twenty-five per cent.* If we make allowance for the various United States internal revenue taxes, it is claimed by the American manufacturers that *the discrimination in favor of the foreign producer is fully equal to forty per cent.* It needs hardly to be added, that during the past six months imported umbrellas have been sold at auction in New York and Boston, with the original cost, duty, freight, and charges paid in gold, for a less price than the American article can be manufactured; or that the business of making umbrellas and parasols in New York and Philadelphia, involving a capital of \$2,000,000, and employing the labor of some five thousand persons, a majority of whom are females, is threatened with utter destruction. In two instances cited to the commission, umbrella manufacturers have closed their factories in the United States, and, with a view of exporting to this country, have transferred their capital and skill to Europe. In a communication submitted to the commission by a committee of umbrella manufacturers, they state that, "unless relief is speedily obtained, we can perceive no other possible course to pursue but the alternative of retiring entirely from the field, and leaving it to foreign hands."

In the case of books, the commission quote from a recent circular from a leading member of this trade:

"In England, books, papers, &c., are especially exempted from taxation. Here there is a duty of thirty-five per cent. on sized book-papers, and an internal revenue tax equal to about eleven per cent. on books, including the tax on paper and on the difference between the cost and the wholesale price, while the duty on imported books is only twenty-five per cent. With all these odds against us, the English manufacturer should be able to pay his duties and land his books in New York or Boston at about one-half the price at which we can make them here, to wit: His paper costs him only one-third what paper costs here; his labor and materials less than one-half, while we pay an amount about equal to his duties in internal revenue; even more, for he invoices his goods at cost, or nearly so, sending them to his own house here, while our tax is upon every separate item that enters into the book.

An average book would, perhaps, take one pound of paper.

This in America now costs.....	30 cents.
Other material, say.....	10 "
Labor.....	12 "
11 per cent. internal revenue tax.....	7½ "

Total cost in the United States..... 59½ cents.

Paper in England.....	10 cents.
Other material.....	5 "
Labor.....	6 "
Tariff.....	5½ "

Total cost of English book delivered here..... 26½ cents.\*

"The difference in exchange at the present time probably would make the tariff about equal to the internal revenue on the American book, still leaving the English book, landed in New York or Boston, to cost only about half as much as the American book made here. How long will it take, with this state of things existing, to transfer all the miscellaneous book publishing to London, and to cripple our paper mills, and send our skilled workmen into other channels to get a livelihood?

"That a repeal or modification of the paper duty would not afford adequate relief is apparent from the fact that foreign paper can be imported now cheaper than it can be furnished of similar quality here. If this be true of what may properly be termed a raw material, so far as books are concerned, the inference is patent that the matured product should have at least equal protection with that raw material; and while the monarchical governments of Europe, especially Great Britain, make it a matter of public policy to exempt books and literature from all taxation, it is also evident that it is neither just nor equal, in a country where, above all others, the public welfare depends upon the universal diffusion of knowledge, that there should be levied upon the medium of this diffusion a higher tax in internal revenue than the foreigner who seeks our trade has to pay in duties to the customs."

The commission would add that at the present time the one article which, above all others, would seem to be a peculiar product of American industry, viz: Webster's Spelling Book, is now being printed in large quantities in London for the use of American schools.

Another striking illustration of the necessity for the equalization and adjustment of the tariff and the internal revenue act is afforded in the case of Manilla rope. By the present tariff act, *Manilla hemp* imported direct from Manilla is charged with a duty of \$25 per ton; and when imported from Europe, an additional duty of 10 per cent. *ad valorem*, amounting to between \$15 and \$25 per ton, (according to its cost in Europe,) making, in such case, the whole duty amount to from \$40 to \$50 per ton. On the other hand, the duty on imported or *Manilla rope* is only 2½ cents per pound, or \$56 per ton. By the internal revenue act, the tax on the manufacture of cordage is fixed at 6 per cent. on the market value, which at the present time amounts to about 1½ cent per pound, or over \$33 per ton. It seems evident, therefore, that while the American manufacturers of cordage are paying a duty on hemp imported directly, of \$58 per ton, (and when imported indirectly, of \$73 per ton;) and while the duty on imported rope is but \$56 per ton, that not only are they without protection, but that there is a difference in the taxation against them, and in favor of foreign manufacturers, which must result most injuriously to this branch of business. We need only add that under this state of things the importations of Manilla cordage from Europe seem to be rapidly increasing.

#### PROPOSED REVENUE POLICY FOR THE FUTURE.

In respect to the evils arising from excessive duplication of taxes under the internal revenue system and from a lack of equalization between the tariff and the excise, it may be urged that the remedy for the latter difficulty is most easy, viz: *by increasing the tariff*. To this, however, as a permanent measure, there are most serious objections, inasmuch as the lack of equalization is not confined to the articles specified in our illustrations, but is very general, and will be more and more extensive as the value of currency approximates to that of gold; while an increase in the tariff, sufficient to remedy all the difficulties, would render the tariff itself almost prohibitory, or at least so high as to invite continued assaults deprive it of all elements of stability, and increase the business of the contra-

\* The commission would, however, call attention to the fact that no allowance is here made for freight, insurance, and other charges of transportation, and that the cost of the English book is given in gold, the American in United States currency.

bandist. The remedy, therefore, for the difficulties above pointed out and illustrated, save in a few striking instances, which have probably resulted from oversight in the framing of the law, must, in the opinion of the commission, be sought for in *such a revision of the present internal revenue system as will look to an entire exemption of the manufacturing industry of the United States from all direct taxation*, (distilled and fermented liquors, tobacco, and possibly a few other articles excepted.) This the commission are unhesitatingly prepared to recommend.

As, however, the revenue derived from the excise on the industrial products of the country amounted to nearly sixty per cent. of the gross internal revenue in 1863; to sixty-four and a half per cent. in 1864; and to nearly fifty per cent. in 1865, it is evident that a radical change of the kind recommended should not be made at once, but gradually, and according as experience satisfies us of our ability to substitute other and less objectionable forms of taxation adequate to produce a revenue corresponding to that relinquished.

To endeavor to remedy the difficulties growing out of the present duplication of taxation and want of equalization between the excise and the tariff, by *specific enactments of exemptions*, as has been proposed by some, would, in the opinion of the commission, be impracticable, and would crowd the statute book with such a detail of enumeration as would render the law exceedingly difficult of comprehension, and open the way for more gigantic frauds than are now practiced. The evil is radical, and the remedy must also be radical.

Looking back upon the history of the country for the last quarter of a century, we find that during the decade from 1840 to 1850 the population of the United States increased 35 per cent., while the national wealth during the same period experienced an increase of 89 per cent. During the next decade, from 1850 to 1860, the increase of population was 35 $\frac{1}{2}$  per cent., and of wealth over 126 per cent.\* Now, without undertaking to deduce any estimates of the future from the past, the commission, nevertheless, think they are warranted in asserting that the circumstances favoring the future increase of the country, both as regards population and wealth, find no parallel in the history of experience of any other nation; and it need hardly be added that if a development in any degree approximate to the past can be maintained and continued, the extinguishment of the national debt, in a comparatively brief period, becomes a matter of no uncertainty. To secure this development, both by removing the shackles from industry, and by facilitating the means of rapid and cheap intercommunication between the different sections of the country, is to effect at the same time a solution of all the financial difficulties which now press upon us.

Until these ends are effected, it is of no avail to enumerate the natural resources of the country, or to dwell upon the energy or intelligence of our people. The experience of Great Britain and New England on the one hand, and of Mexico on the other, affords striking examples of the truth of the maxim of modern political economy, that "those countries are the richest where men are the most active, and not those where nature has been the most bountiful."

Assuming, then, that the policy indicated—which we may here restate in brief to be *the abolition or speedy reduction of all taxes which tend to check development, and the retention of all those which, like the income tax, fall chiefly*

\* "The estimated value of all the real and personal estate in the United States belonging to individuals, in 1850, was \$7,135,780,228. This included the value of 3,204,313 slaves, which, at \$500 each, amounted to \$1,602,156,500. This deducted from \$7,135,780,228 would leave \$5,533,623,728.

"The estimated value of all the real and personal estate belonging to individuals in 1860 was \$16,159,616,068. This included the value of 3,953,587 slaves, which, at \$500 each, amounted to \$1,976,793,500. This deducted from \$16,159,616,068, would leave \$14,282,822,568. Thus the total capital stock of the country increased from 1850 to 1860 at the rate of 152 per cent."



*upon realized wealth*—is accepted as the desirable future revenue policy country, the question next arises, In what manner and to what extent be carried out, and at the same time insure to the government a revenue adequate to its necessities?

#### SOURCES OF REVENUE.

This brings us to the consideration of the nature and capacity of the available to the government for revenue, and to the special department of investigation assigned to the commission.

According to the estimate of the Secretary of the Treasury, there will be required for the year ending June 30, 1867, to meet the expenditure of the government, and to provide for the interest on the public debt, a revenue of \$284,317,181. Assuming this estimate as a basis, let us now examine the sources whence the revenue necessary to meet this expenditure is drawn. We would first ask attention to the revenue derivable from

#### IMPOSTS, OR CUSTOMS.

The following table exhibits the annual imports and exports of the States from 1859 to 1865, inclusive:

	Value of imports.	Value of exports.	Duties.
Fiscal year 1859.....	\$338, 765, 130	\$356, 789, 462	\$49, 5
1860.....	362, 163, 941	400, 122, 296	53, 1
1861.....	350, 775, 835	410, 856, 812	39, 5
1862.....	205, 819, 823	229, 790, 280	49, 0
1863.....	252, 187, 587	331, 809, 459	69, 0
1864.....	328, 514, 559	340, 665, 580	102, 3
1865.....	234, 434, 167	336, 697, 123	84, 9

For the five years prior to and including 1861, the average annual *imports* was in excess of three hundred and fifty millions of dollars; the three years next succeeding June 30, 1861, the annual average was about two hundred and sixty-two millions.

For the five years prior to and including 1861, the average annual *exports* was, including gold, not far from three hundred and seventy-one millions of dollars; and for the three years next succeeding the fiscal year 1861, the annual average was a little over three hundred millions, also including gold.

With the return of at least one and a half million of men from unproductive avocations, and with a renewed demand for cotton and other commodities at greatly enhanced prices, coupled with a renewed ability to supply the same, the commission think it safe to estimate the average value of our *imports* for the three years next succeeding June 30, 1866, at not less than *three hundred millions of dollars*; and as experience has shown that the demand for foreign commodities by the people of the United States is limited mainly by the capacity to purchase the same, we believe that we are further warranted in assuming that the average annual value of *importations* from abroad for the period will not be less than *three hundred and fifty millions of dollars*.

The commerce of Great Britain is estimated to be increasing at the time at from eight to ten per cent. per annum. With the continuance of the same, and with the expansion of our population to thirty-eight millions in 1870, a number at least one-fifth in excess of that of Great Britain—progressive retrogression, in American commerce, should be anticipated.

As the average of the present tariff is understood to be upwards of *five*

cent. upon the invoiced value of those importations upon which duties are levied,\* the average having been greatly increased during the past few years by the imposition of duties upon tea, coffee, and other articles previously on the free list, as well as by some additions to other articles, the commission, after making due allowance for a possible reduction of some duties, and an increase of the free list, think it safe to estimate the amount of revenue derivable from customs, for the fiscal year 1867, to be at least *one hundred and thirty millions of dollars.*†

Indeed, in view of the facts developed by the commission in their investigations, showing the enormous reduction in the consumption of some of the leading articles of importation by reason of the war, (see special reports on tea, coffee and sugar,) and the almost equally rapid increase in the consumption of the same articles since the war, they think they may safely assign a greater revenue from customs than that above given.

As will be seen by reference to these specific reports, the consumption of *coffee* in the United States decreased from the annual average of 200,000,000 pounds in 1860, to less than 80,000,000 pounds in 1863. During the same period the consumption of *sugar* decreased from thirty-one to nineteen pounds *per capita*; and of *tea* for the whole country about twenty-three per cent. The gain in revenue from the increased consumption of these articles in 1866, as compared with 1863-'64, will not probably be less than \$200,000,000, while the aggregate revenue for that year from the same three articles will probably exceed \$40,000,000. It should also be borne in mind that, by the termination of the reciprocity treaty, many articles which are now admitted from the British provinces free of duty will hereafter be subjected to duty, and thus form another element of future increase in the customs revenue.

#### INTERNAL REVENUE.

We come next to the consideration of those sources of revenue referable to the excise or internal taxation.

\* The following table, prepared for the commission by Lorain Blodget, esq., of the Philadelphia custom-house, appraiser at large, exhibits the duties paid on imports, and the average percentages of the same on the value thereof for the fiscal year 1864-'65:

	Total imports.	Dutiable imports.	Duties paid.	Per cent. of total.	Per cent. of dutiable.
New York .....	\$155,841,013	\$143,347,382	\$61,169,479	39.25	42.67
Philadelphia .....	8,126,085	7,265,314	3,874,815	47.67	53.33
Boston, (quarter ending March 31, 1865, only) .....	5,193,931	4,735,742	1,991,600	38.34	42.05
Average of the above .....	169,161,029	155,348,438	67,035,894	39.63	43.15

The above statement is of duties paid on merchandise entered for consumption, and on all merchandise withdrawn from warehouse for consumption for the above periods, excluding imports going into warehouse, and all estimated duties.

From this statement it appears reasonable to assume that the existing tariff levies an average of about 40 per cent. on the total value of imports, and about forty-three per cent. on the values of those paying duty.

† It is worthy of remark that the revenue derived from customs since 1861 has, in every year, exceeded the estimate of the Treasury Department. The estimate of the Secretary of the Treasury for the year 1863-'64 was \$70,000,000, while the receipts were over \$102,000,000; for 1864-'65 it was also estimated at \$70,000,000, while the receipts were nearly \$85,000,000. For the first quarter of the current fiscal year the receipts from customs were over \$47,000,000, and the estimate of the Secretary for the remaining three quarters was \$100,000,000; making a probable total for the year of \$147,000,000.

The aggregate receipts of internal revenue for the fiscal years 1863, 1864, and 1865, are returned as follows :

1863*.....	\$41,003,19
1864.....	116,850,67
1865.....	211,129,52

The following table shows the amount derived from the principal sources of internal revenue in the above years, the aggregate annual amount and the percentage ratio of the amount derived from each specific source to the whole for the same periods :

Articles.	Receipts for fiscal year 1863.	Per cent. of the whole.	Receipts for fiscal year 1864.	Per cent. of the whole.	Receipts for fiscal year 1865.
<b>Manufactures and products:</b>					
Books, magazines, &c.....					\$354,528
Boots and shoes.....					3,220,627
Bullion.....					379,518
Clothing.....	\$31,241	.07	\$350,486	.30	6,820,937
Carriages.....	243,704	.59	320,076	.27	880,021
Candles.....	117,133	.28	186,228	.16	326,583
Chemical productions.....					317,383
Cigars, cheroots, &c.....	476,589	1.16	1,255,424	1.07	3,087,421
Clocks, timepieces, &c.....	17,771	.04	39,166	.03	
Confectionery.....	153,824	.37	465,793	.39	569,473
Coal.....	318,425	.77	572,436	.40	835,994
Cotton, raw.....	351,311	.85	1,268,412	1.09	1,772,983
Cotton fabrics, yarns, threads.....	1,600,947	3.90	3,548,173	3.03	7,331,148
Distilled liquors.....	3,229,991	7.87	28,431,798	24.33	15,995,701
Fermented liquors.....	1,558,083	3.79	2,223,720	1.90	3,657,181
Furs.....	78,852	.19	113,827	.09	222,559
Furniture and manufactures of wood.....			1,679,940	1.43	2,733,248
Gas, illuminating.....	435,600	1.06	714,740	.61	1,348,324
Glass, all manufactures of.....	138,908	.33	303,268	.26	585,430
Gold manufactures, jewelry, &c.....	85,599	.20	218,914	.19	543,430
Gunpowder.....	78,696	.19	155,302	.13	248,376
Glue.....	9,048	.02	25,629	.02	44,517
Gutta-percha manufactures.....			5,425		31,282
India-rubber, manufactures of.....	112,700	.27	233,783	.20	635,976
Iron, blooms, &c.....					52,158
Iron, bar, rod, band, sheet, &c.....	258,536	.60	435,911	.37	807,239
Iron, plate.....	52,221	.12	86,535	.07	150,292
Iron, railroad.....	78,750	.19	175,838	.15	284,783
Iron, railroad, re-rolled.....	66,336	.16	119,226	.10	376,265
Iron casting.....	50,349	.12	242,737	.20	798,201
Iron castings, (stoves and hollow-ware).....	79,952	.19	123,489	.10	211,849
Iron, cut nails and spikes.....	110,905	.27	184,500	.16	323,940
Iron, pig.....					1,484,333
Iron rivets, nuts, &c.....	6,812	.02	43,729	.037	56,498

\* The act of July, 1862, took effect September 1, and the receipts for the fiscal year are but for ten months. A discrepancy exists between these amounts and those from the office of the Secretary of the Treasury. The same receipts are not always reported entered upon the books of the two offices on the same day. The difference is only a *account*.

TABLE—Continued.

Articles.	Receipts for fiscal year 1863.	Per cent. of the whole.	Receipts for fiscal year 1864.	Per cent. of the whole.	Receipts for fiscal year 1865.	Per cent. of the whole.
cellaneous					\$221,071	.10
nufactures of	\$969,082	2.36	\$1,891,062	1.61	3,723,310	1.76
n and manufactures.	1,672,943	4.08	3,303,027	2.82	8,494,989	4.02
et, lead pipes, and	\$54,614	.13	\$110,527	.09	\$74,460	.035
ite.	23,080	.056	48,564	.04	52,067	.024
f all descriptions.	1,982,004	4.83	4,004,047	3.43	4,337,266	2.05
, refined petroleum,	649,962	1.58	2,255,329	1.93	3,047,213	1.44
, linseed, &c.	114,219	.28	217,291	.018	414,547	.19
f all descriptions,						
s' boards, &c.	301,472	.73	917,141	.80	1,082,476	.51
m, crude					229,546	.10
nd other musical in-						
ments					259,384	.12
preserved fruits, veg-						
is, meats, &c.	62,534	.15	110,791	.09	172,314	.08
	15,403	.04	22,010	.02	24,802	
ware	22,962	.056	47,425	.04	93,221	.44
nts, shades, awn-						
&c.	3,771		35,946	.03	78,272	.037
is and bicarb. of soda.	23,003	.057	32,974	.03	31,609	.014
	118,579	.29	298,912	.25	335,349	.15
(wood).	28,760	.07	62,943	.05	122,693	.06
d other vessels.	1,748		167,514	.14	347,218	.16
nufactures of.	44,167	.107	97,653	.08	216,189	.10
nufactures of	18,372	.044	36,950	.03	59,768	.026
	34,466	.08	240,934	.20	283,352	.13
all descriptions.	266,406	.65	449,001	.38	791,416	.37
	15,680	.04	36,261	.03	131,232	.06
	40,657	.10	91,768	.08	174,052	.08
nufactures of	149,226	.36	299,373	.25	549,767	.26
rown or raw.	134,228	.32	1,267,616	1.09	86,510	.04
efined.	220,234	.53	873,140	.79	1,957,893	.92
, manufactured	2,576,889	6.28	7,086,685	6.32	8,017,020	3.80
ne, spirits of.					8,462	
is and parasols.	49,735	.12	68,770	.06	111,147	.05
s.	40,131	.10	92,356	.08	149,981	.07
aineral, sarsaparilla,						
	833		7,014		85,546	.04
	8,824		28,303	.02	43,216	.02
fabrics, and all						
actures of wool.	1,880,029	4.58	3,655,132	3.1	7,947,094	3.79
ide of.	15,806	.04	28,276	.02	41,641	.02
rious articles.	4,793,932	11.69	7,297,163	6.24	12,382,569	5.86
nufactures and pro-						
ns.	24,403,091	59.71	75,403,386	64.53	104,156,911	49.33
slaughtered.	\$710,812	1.73	\$695,202	.59	\$1,261,357	.60
is receipts—						
ements	\$40,629	.10	\$133,315	.11	\$227,530	.10
and toll-roads.	18,674	.045	36,354	.03	75,269	.037
					92,421	.044
companies	2,680		267,773	.22	529,276	.25
	20,852	.05	60,074	.05	126,133	.06

TABLE—Continued.

Articles.	Receipts for fiscal year 1863.	Per cent. of the whole.	Receipts for fiscal year 1864.	Per cent. of the whole.	Receipts for fiscal year 1865.	
Insurance companies .....					\$865,992	
Lotteries .....					29,249	
Railroads .....			\$2,127,250	1.82	5,917,293	
Ships, barges, &c .....					431,211	
Stage-coaches, wagons, &c .....					469,188	
Steamboats .....	\$150,620	.36	278,097	.24	638,812	
Telegraph companies .....					215,050	
Theatres, circuses, &c .....					140,442	
Total gross receipts .....	233,455	.57	2,902,863	2.48	9,697,866	4
Sales—						
Auction .....	\$64,004	.15	\$138,082	.12	\$410,176	
Merchandise brokers .....					596,474	
Stock brokers .....					2,202,793	1
Gold brokers, &c .....					852,801	
Total sales .....	64,004	.15	138,082	.12	4,062,244	1
Licenses—						
Apothecaries .....	\$27,308	.068	\$29,792	.026	\$32,872	
Auctioneers .....	49,092	.12	58,147	.05	80,545	
Bankers .....	90,868	.22	74,449	.06	846,686	
Billiards .....	34,120	.08	33,188	.028	54,025	
Brewers .....	70,850	.17	66,289	.06	77,747	
Bowling alleys .....	6,873		7,781		13,490	
Cattle brokers .....	98,090	.24	106,337	.09	207,905	
Commission brokers .....	149,869	.36	204,098	.17	213,095	
Produce brokers .....					22,954	
Pawnbrokers .....					13,235	
Stock brokers .....	105,096	.25	98,678	.08	120,912	
Other brokers .....	1,058		1,001		3,133	
Builders and contractors .....	6,615		73,353	.06	82,273	
Butchers .....	2,154		88,450	.07	152,421	
Distillers .....	38,632	.096	49,022	.042	42,968	
Hotels .....	255,273	.62	252,610	.21	396,768	
Lawyers .....	142,900	.35	129,186	.11	190,377	
Lottery-ticket dealers .....	10,250		3,091		43,480	
Manufactures .....	463,630	1.13	471,091	.40	635,115	
Peddlers .....	287,456	.70	255,435	.22	459,298	
Photographers .....	44,859	.11	52,536	.045	74,608	
Physicians and surgeons .....	238,383	.58	235,583	.20	302,847	
Retail dealers .....	1,227,912	3.00	1,336,346	1.14	1,606,778	
Retail dealers in liquors .....	1,477,754	3.60	1,612,736	1.38	2,205,866	1
Stallions and jacks .....	45,985	.11	219,578	.19	277,166	
Wholesale dealers .....	1,315,118	3.20	1,229,787	1.05	3,543,105	1
Wholesale dealers in liquors .....	384,160	.93	176,765	.14	400,693	
Miscellaneous .....	249,873	.61	220,030	.24	511,116	
Total of licenses .....	6,884,178	16.64	7,145,329	6.11	12,613,478	5
Income .....	\$455,741	1.11	\$14,919,279	12.76	\$20,567,350	9
Legacies and succession .....	56,593	.14	310,826	.27	545,807	
Articles in Schedule A:						
Billiard tables .....	\$10,731	.02	\$68,000	.06	\$67,754	
Carriages and harness .....	243,704	.59	390,076	.38	322,720	
Man-horses .....					7,752	
Gold plate .....	46		66		126	
Silver plate .....	108,680	.26	130,034	.11	117,987	
Watches .....					9,139	

TABLE—Continued.

Articles.	Receipts for fiscal year 1863.	Per cent. of the whole.	Receipts for fiscal year 1864.	Per cent. of the whole.	Receipts for fiscal year 1865.	Per cent. of the whole.
Yachts.....	\$2, 459	.....	\$2, 673	.....	\$2, 098	.....
Other articles.....	.....	.....	.....	.....	252, 690	. 12
Total in Schedule A.....	365, 630	. 89	520, 839	. 44	780, 266	. 37
Banks, &c.....	\$1, 910, 937	4. 66	\$7, 017, 547	6. 00	\$13, 579, 594	6. 43
Passports.....	8, 407	. 02	11, 001	.....	29, 535	.....
Special income tax.....	.....	.....	.....	.....	28, 929, 312	13. 70
Penalties, &c.....	27, 170	. 07	193, 600	. 16	520, 362	. 25
Stamps.....	4, 140, 175	10. 10	5, 894, 945	5. 04	11, 162, 392	5. 28
Salaries.....	696, 182	1. 70	1, 705, 125	1. 45	2, 826, 332	1. 34
Aggregate receipts.....	41, 003, 193	.....	116, 850, 672	.....	211, 129, 529	.....

For the current fiscal year the Commissioner of Internal Revenue, in his report, under date of November 30, 1865, estimated the receipts of internal revenue at \$272,000,000. By an estimate, however, submitted to the commission, January 6, 1866, the Commissioner, from further data obtained since the publication of his report, is of the opinion that the receipts of the current fiscal year will probably reach \$300,000,000. The "certificates of deposit" received at the Internal Revenue office, from June 30 to December 31, 1865, and entered upon the books of the cashier, amounted to \$175,556,458 02.

*Distilled spirits.*—Of the various sources of revenue included under the internal revenue, that of *distilled spirits* ranks first in importance. The amount of revenue derived from this source for the several fiscal years during which the internal revenue law has been in operation is as follows :

1863.....	\$3, 229, 990 79
1864.....	28, 431, 797 83
1865.....	15, 995, 701 66

During the fiscal year 1863 the tax was uniformly twenty cents per gallon. For the fiscal year 1864 the tax was twenty cents until March 7, after which it was sixty cents. From July 1, 1864, until January 1, 1865, it was \$1 50 per gallon, and afterwards \$2. Of the receipts from excise on distilled spirits in the year 1865, \$3,862,753, or nearly one-fourth of the whole amount, was from spirits previously bonded, and paying the former rate of twenty and sixty cents per gallon.

The average taxable production of distilled spirits per year, from September 1, 1862, to June 30, 1865, as returned to the department, was 40,537,371 gallons.

The amount of distilled spirits produced in the country during the year 1860 was in excess of ninety millions of gallons. The amount at present required to meet the consumption of the country, under the influence of the high rate of taxation imposed upon this article, is estimated by the commission at from *forty-two to forty-five millions of gallons*; and with the continuance of the present rate of excise they have no reason to believe that this amount will, for some years to come, be either largely increased or diminished.

Of the amount at present required to supply the consumption of the country, the commission estimate that probably about 39,000,000 gallons are required

for drinking purposes, leaving from 3,000,000 to 6,000,000 gallons for industrial uses. This estimate does not include the amount of spirits exported, from which, by reason of the drawback, no revenue accrues. The largest amount ever exported in any one year has not, according to the official returns, exceeded 3,000,000 gallons.\*

In regard to the rate of tax to be imposed upon spirituous or distilled liquors, the commission are unanimously of the opinion that the present rate of two dollars per gallon is in excess of the proper revenue standard, and that a reduction will be for the interests both of the revenue and of the country. The reasons which have led to this conclusion are presented in detail in the "Special Report (No. 5) on Distilled Spirits," to which the commission would respectfully ask attention. *They accordingly recommend that the rate of tax on distilled spirits be reduced to one dollar per gallon.*

With this rate of duty, and with the increase in the annual consumption for industrial purposes (estimated at not less than 10,000,000 gallons) which must follow, the commission are of the opinion that, making all allowances for a certain amount of illicit distillation, which, under any circumstances, will take place, an average annual revenue of *at least forty millions of dollars* from this source may be collected.

But whatever may be the rate of tax agreed upon for the future, it is clearly evident that a far more stringent and effective law than that which now exists is needed if any fair proportion of the amount which government has a right to expect from this source is to be collected, and protection at the same time extended to the honest distiller as against the competition of his illicit competitor.

The commission, therefore, present, in connexion with their special report upon this subject, a draught of a new law, which they believe will be effectual for the prevention of fraud and the securing of the revenue. This bill, which is necessarily arbitrary and restrictive, does not, in some of its essential features, meet the approval of a portion of the distilling interest of the country, and their opposition to it may be fairly expected.

The commission have, however, given a great amount of time to the investigation of this subject, and have availed themselves of the judgment of the most experienced revenue officials, distillers and dealers, from various sections of the country; and have also sought to acquaint themselves most thoroughly with the manner in which this subject is treated for revenue in the various states of Europe.

The securing of a large revenue from distilled spirits in the United States is absolutely necessary to insure the successful carrying out of any plan for simplifying the internal revenue system, and relieving the general industry of the country from a burden of taxation which must inevitably result in disaster. No industrial interest in the country can better sustain the burden of taxation than distilled spirits. The precedents of all other countries are uniform in favor of taxing spirits to the *maximum* consistent with revenue; and while any relaxation of the law, on the one hand, does not benefit the consumer, its stringent enforcement with a regulation of the business will not diminish the amount which appetite or industrial necessity demands for consumption. If it be urged that the bill as reported by the commission is too restrictive and arbitrary in its character, destructive of small private interests, and as imposing large additional restrictions and expenses upon all engaged in the business, it may be replied that the amount of good which must inevitably accrue to the whole country by the course recommended—if the same will insure an enforcement of the law and the collection of the revenue—is sufficient to justify a disregard of the interests of a comparatively small number of individuals. The commission, therefore, express the hope that Congress will not too readily listen to the appeals of those

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\* See Special Report (No. 5) on Distilled Spirits.

are more anxious to subserve their own interests than the interests of the country.

*fermented liquors.*—The next source of revenue to which the commission ask attention is that derivable from *fermented liquors*, which, like distilled spirits, are capable of sustaining, without injury to the country, a heavy taxation. The following revenues have accrued for the fiscal years 1863, 1864, and 1865:

.....	\$1,558,083 41
.....	2 223,719 73
.....	3,657,181 06

On September 1, 1862, to March 3, 1863, the tax was one dollar per barrel more than thirty-one gallons; from that date to April 1, 1864, sixty cents, and since that time, *one dollar*. The number of barrels upon which the tax is received, as nearly as can be ascertained, was 1,765,827 in 1863; 1,919 in 1864; and 3,657,181 in 1865.

The census of 1860 the number of breweries then existing in the United States was returned at 1,269, affording a product of nearly four million barrels (3,460,000). The commission, after a careful review of this branch of industry, and after personal consultation with nearly every leading brewer of both ale and beer in the United States, are of the opinion that the number of barrels of beer produced and consumed in the country during the fiscal year 1865 was about 6,000,000, and that the annual increase of product at the present rate is about ten per cent. per annum, mainly of lager-beer. If this opinion be correct, it is apparent that the government received for the above year but little more than sixty per cent. of its just dues from this source.

On the announcement of the appointment of this commission in the spring of 1865, the National Brewers' Association appointed a committee of three of its most prominent members to visit Europe, and examine, carefully and in detail, the results of the working of the systems of taxation in regard to fermented liquors adopted in those countries of Europe where the demand for such liquors is more general and extensive than in the United States.

The report of that committee, comprising a great amount of information touching the industry, now so rapidly developing itself in the United States, has, by the action of the Brewers' Association, been placed in the hands of the commission, and is now at the disposal of Congress for publication if they deem it expedient. The commission believe that its publication would be of great benefit to the public interest of the country, and, indirectly, to the revenue; and they therefore recommend it.

The present rate of tax imposed upon fermented liquors, viz: one dollar per barrel of thirty-one gallons, is in excess of the rate imposed by any of the countries of Europe, (Austria excepted;) and as the present rate, moreover, in the opinion of the commission, after full consideration, is believed to be fully up to the revenue standard, and as such is all but unanimously acquiesced in by the public interest of the country, they would therefore recommend *that the existing rate be neither increased nor diminished.*

The determination of the proper mode of collecting the tax on fermented liquors, and preventing the large amount of fraud which has heretofore, undoubtedly, been committed in regard to the same, has been to the commission a subject of great difficulty. By reference to their Special Report, (No. 6,) it will be seen that a tax on malt in this country is not practicable; neither is the plan, recommended by the commission, of gauging and assessing the liquor, either by "coppers" during the process of manufacture, or subsequently, while in fermenting vats. Abandoning both of these methods, therefore, they have, with the full concurrence and assistance of the leading brewers of the country, proposed a plan for collecting the tax by means of a stamp, printed on insoluble



parchment paper, to be affixed to each barrel sold and removed from the place of its manufacture, with a requirement that the same be cancelled by the retailer or consumer. Specimens of the stamps designed for this purpose have been prepared for submission to Congress, while the full details of the plan for using them are given in the special report referred to. With the adoption of this system, and the retention of the present rate of excise, the commission estimate that the government may rely upon an immediate annual revenue, from fermented liquors, of at least *five millions of dollars*.

*Cotton.*—The attention of the commission has been especially given to the cotton product of the United States, as a source of revenue, and they would refer to their Special Report, (No. 3,) and also to the testimony accompanying the same, as embodying all the information requisite for the formation of a correct opinion on this subject. As the result of their investigations, the commission recommend that a tax of *five cents per pound* be levied on and after July 1, 1866, upon all cotton the product of the United States; and that the same be collected of the manufacturer at the place of consumption, and of the merchant or factor at the port of export, upon all foreign shipments. Such a plan will not interfere with the growth and cultivation of this staple, or its free movement throughout the country, and will reduce the machinery and the expenses of collection to their *minimum*.

The above proposed rate of taxation on cotton, it is believed, will not prove in any degree detrimental to any national interest, and will yield a revenue, at twenty-two dollars per bale, of *twenty-two millions of dollars* for every million of bales produced and sold for consumption. With a crop of three millions of bales, and a tax of five cents per pound, the government might derive an annual revenue of \$66,000,000; or of \$88,000,000 on a crop of four millions of bales, which would be less than the crop of 1859-'60. Of this sum—if the consumption of the United States shall reach, in either of these years, the consumption of 1860—the inhabitants of the United States would pay about *\$21,000,000*; and it is believed that there are few taxes which can be levied which would be so slight a burden to the consumer. The consumption of cotton per head in the United States, at the highest point ever attained to, has not exceeded twelve pounds. A tax of five cents per pound would, therefore, be an average of about sixty cents to each individual per annum.—(See Special Report, No. 3.) As the crop of the present year, in the opinion of competent persons consulted by the commission, is not likely to be less than two millions of bales—and, if good seed can be obtained, may exceed this figure—the commission are of the opinion that the government may safely rely for the fiscal year ending June 30, 1867, upon a revenue from this source of *at least forty millions of dollars*.

With an increase of the crop, in subsequent years, beyond two millions of bales per annum, accompanied by a consequent reduction of the market price of the same, a corresponding reduction of the proposed rate of tax may probably be found expedient—but, in any event, the commission believe that for the future an average revenue from cotton of *at least fifty millions of dollars* may undoubtedly be relied upon.

*Tobacco.*—In respect to tobacco the commission, as the result of their investigations, are unanimously of the opinion *that the tax should not be laid upon the raw material*. The commission, from lack of time, are not now able to report specially on this subject, but will do so at the earliest practicable moment.

The following tables show the amount of revenue derived from cigars and cheroots, chewing and smoking tobacco, and snuff, for the several fiscal years since the internal revenue system has been in operation:

Cigars, cheroots, &c. :	
1863.....	\$476,689 29
1864.....	1,255,424 79
1865.....	3,087,421 51
Tobacco, chewing and smoking :	
1863.....	2,576,888 67
1864.....	7,086,684 74
1865.....	8,017,020 63
Snuff :	
1865.....	283,352 00

The total amount received in 1865 from tobacco and its manufactures was \$11,387,799. The amount received from tobacco for 1865 would, undoubtedly, have been much greater, had it been possible to prescribe effective revenue regulations respecting the immense stock of tobacco held in the southern States at the close of the rebellion.

The average annual taxable production of the different kinds of manufactured tobacco from September 1, 1862, to June 30, 1865, was 42,809,168 pounds. This amount, at the present rate of excise, would return an annual revenue of \$15,736,795. With some amendment of the present law, and with the exhaustion of the stock in the country made in anticipation of the tax, which is now nearly effected, the commission believe that the government may safely rely upon an annual revenue from this source for the immediate future, of *at least eighteen millions of dollars*, (\$18,000,000.)

*Incomes.*—In respect to the income tax the commission have not, from want of time, been able to give this subject the attention which its importance demands. Although in many respects an obnoxious tax, yet, falling as it does mainly on accumulation, it will probably be sustained with less detriment to the country than any other form of taxation—the excise on spirituous and fermented liquors and tobacco excepted. The discrimination at present in the rate levied on incomes under and in excess of \$5,000 is, however, unjust, being in fact a tax on the results of successful industry and business enterprise; and the commission recommend that this discrimination be abrogated, and the rate be equalized at *five* per cent.

When the tax upon incomes was first imposed, an exemption of six hundred dollars upon the annual gains, profits, or earnings of every person was allowed. This was deemed sufficient at that time to enable a small family to procure the bare necessities of life; but with the large increase in the cost of living there was not a corresponding advance in the receipts of those receiving but small incomes. As the purchasing power of six hundred dollars was fully equal at that time to one thousand dollars now, it would be, in the opinion of the commission, an act of justice, as well as of sound public policy, to extend the limit of the sum exempted. They therefore recommend that in the future assessment of incomes one thousand dollars be exempted from taxation.

The commission furthermore believe that in exempting one thousand dollars from liability to assessment under the income tax, the ends of public policy have been fully subserved; and they would therefore recommend that in assessing the income tax no allowance whatever be made for house-rent, or at least that the amount allowed to be deducted for rental should not in any case be allowed to exceed three hundred dollars.\*

\* The commission understand that the internal revenue bill, as it was originally draughted, and as it passed the House of Representatives, contained a clause limiting the amount to be deducted for rent in the estimation of incomes to \$200, and providing that persons residing in their own houses should be assessed for income on the value of the rental of such houses exceeding \$200.

As the law now stands, rentals of an excessive and unreasonable amount are often deducted; and the gain to the revenue in the city of New York alone, from the repeal of that part of the act authorizing the deduction of rentals, would, in the opinion of revenue officials, amount to over two millions of dollars per annum.

In view of the necessity for the speedy removal of other forms of taxes which tend to check the development of the industry of the country, the commission would recommend no further change for the present in respect to the income tax.

The total receipts from this source since and including 1863 are as follows:

Fiscal year 1863.....	\$455,741 26
Fiscal year 1864.....	14,919,279 58
Fiscal year 1865.....	20,567,350 26

It should, however, be observed that the tax on the incomes of 1862, assessed in 1863, is mainly included in the receipts of the fiscal year 1864, less than half a million of dollars having been collected in 1863; and the receipts for 1865 consist almost entirely of the tax assessed in 1864 upon the income of 1863. The receipts, therefore, from the income tax assessed in 1865 do not appear in the report of the Commissioner for that year, made November 30, 1865.

By a report, however, of the Commissioner to the Revenue Commission it appears that the total receipts from the tax upon incomes from July 1 to December 1, 1865, were \$54,549,128. A small part of the income tax of 1864, assessed in 1865, was collected prior to July 1, but how much cannot readily be determined; and a small part, moreover, remained uncollected on December 1, 1865. The additional collections made or to be made since that period will, in the opinion of the Commissioner, further augment the receipts for the income tax of 1864 to at least fifty-eight millions of dollars.

For the future, with the changes above recommended, the commission believe that the government may safely rely on an annual revenue from this source of about fifty millions of dollars.

*Banks.*—From the excise on banks and railroads the amount received during the fiscal year 1865 was \$13,579,594, and the commission assume the collection of a similar amount for the immediate future.

*Petroleum.*—The receipts from refined petroleum and coal oil since 1863 have been as follows:

1863.....	\$649,962 09
1864.....	2,255,328 80
1865.....	2,047,212 77

For the first quarter of the fiscal year ending June 30, 1865, the internal revenue receipts from the tax on refined petroleum and coal oil were \$302,411 63; for the corresponding quarter of 1866 the receipts were \$810,056 09, showing a gain of \$507,644 46.

The tax upon petroleum was ten cents per gallon, and upon oil distilled from coal exclusively, eight cents, until June 30, 1864, after which the rates were twenty and fifteen cents respectively.

By the amended act of March 3, 1865, a duty was imposed of ONE DOLLAR on each barrel of crude petroleum of forty-five gallons. The amount received from the time the tax went into effect until the close of the fiscal year ending June 30, 1865, was \$229,546 10. For reasons which will be found in detail in the Special Report (No. 7) on this subject, the commission recommend *that the tax as thus imposed on crude petroleum be repealed, and that the rates of tax on refined coal oil, petroleum, naphtha, benzole, &c., be retained as at present.*

## Cigars, cheroots, &amp;c. :

1863.....	\$476,589 29
1864.....	1,255,424 79
1865.....	3,087,421 51

## Tobacco, chewing and smoking :

1863.....	2,576,888 67
1864.....	7,086,684 74
1865.....	8,017,020 63

## Snuff :

1865.....	283,352 00
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The total amount received in 1865 from tobacco and its manufactures was \$11,387,799. The amount received from tobacco for 1865 would, undoubtedly, have been much greater, had it been possible to prescribe effective revenue regulations respecting the immense stock of tobacco held in the southern States at the close of the rebellion.

The average annual taxable production of the different kinds of manufactured tobacco from September 1, 1862, to June 30, 1865, was 42,809,168 pounds. This amount, at the present rate of excise, would return an annual revenue of \$15,736,795. With some amendment of the present law, and with the exhaustion of the stock in the country made in anticipation of the tax, which is now nearly effected, the commission believe that the government may safely rely upon an annual revenue from this source for the immediate future, of *at least eighteen millions of dollars*, (\$18,000,000.)

*Incomes.*—In respect to the income tax the commission have not, from want of time, been able to give this subject the attention which its importance demands. Although in many respects an obnoxious tax, yet, falling as it does mainly on accumulation, it will probably be sustained with less detriment to the country than any other form of taxation—the excise on spirituous and fermented liquors and tobacco excepted. The discrimination at present in the rate levied on incomes under and in excess of \$5,000 is, however, unjust, being in fact a tax on the results of successful industry and business enterprise; and the commission recommend that this discrimination be abrogated, and the rate be equalized at *five per cent.*

When the tax upon incomes was first imposed, an exemption of six hundred dollars upon the annual gains, profits, or earnings of every person was allowed. This was deemed sufficient at that time to enable a small family to procure the bare necessities of life; but with the large increase in the cost of living there was not a corresponding advance in the receipts of those receiving but small incomes. As the purchasing power of six hundred dollars was fully equal at that time to one thousand dollars now, it would be, in the opinion of the commission, an act of justice, as well as of sound public policy, to extend the limit of the sum exempted. They therefore recommend that in the future assessment of incomes one thousand dollars be exempted from taxation.

The commission furthermore believe that in exempting one thousand dollars from liability to assessment under the income tax, the ends of public policy have been fully subserved; and they would therefore recommend that in assessing the income tax no allowance whatever be made for house-rent, or at least that the amount allowed to be deducted for rental should not in any case be allowed to exceed three hundred dollars.\*

\* The commission understand that the internal revenue bill, as it was originally draughted, and as it passed the House of Representatives, contained a clause limiting the amount to be deducted for rent in the estimation of incomes to \$200, and providing that persons residing in their own houses should be assessed for income on the value of the rental of such houses exceeding \$200.

guarantee against counterfeiting which the best skill and knowledge can afford. To this security are to be added the safeguards of gumming, and especially perforation—processes necessary to perfect every stamp, and requiring costly and peculiar machinery. Thus the revenue stamps test the counterfeiter's skill quite as effectually as the engraved currency, while little or no facilities whatever of utterance are afforded him; their use, furthermore, is specific, and their value bears no comparison with the gains which may be made by a fraudulent issue of the national currency. These statements find practical exemplification in the fact that *we have yet to hear of the first successful counterfeit of an adhesive revenue stamp.*

The rapid increase in the revenue receipts from stamps is owing in a considerable degree to the recent requirements of law, whereby receipts of money (over twenty dollars) and of property, matches, photographs, &c., are required to be stamped; but at the same time the natural advance in business throughout the country, the greater familiarity of the people with the law, and its more rigid enforcement by the government, have powerfully contributed to swell the receipts from this source.

Of the stamps thus far consumed, it appears, from a report made to the commission by the government contractors for the manufacture of stamps, that *six-sevenths* of the entire consumption consist of the two-cent bank-check and receipt stamps, the various proprietary stamps, and of the one-cent stamps required to be affixed to matches.

The most important results in this department of the revenue, therefore, *flow from the smallest stamp taxes universally diffused.* Thus one-third of the revenue received from stamps in the fiscal year 1865 were derived from the three items of "bank-check," "receipt," and "match" stamps; and from the first two, (bank-check and receipt stamps,) the receipts for the fiscal year 1865 averaged about \$200,000 per month.

Considering the small actual tax imposed on each bunch of matches—one cent—and the insignificance of the business, as contrasted with many others, this product of industry probably affords the largest *comparative* revenue accruing under the excise. The law, as at present happily framed, imposes a penalty on the manufacturer of matches, as well as upon the retailer, who sells them without the requisite stamps affixed; so that the public are thus, as it were, constituted a general corps of detectives; while the amount of gain likely to accrue to the retailer from the evasion of the law is too small, in any one instance, to tempt to the commission of fraud.

As has already been stated, the quantity of matches manufactured in anticipation of the tax (which took effect August 1, 1864) was so large, that up to the present time, (January, 1866,) the government has failed to derive from this article its legitimate revenue. For the fiscal year 1865, the revenue received from matches was probably about *one million of dollars*; but since then, as the stock manufactured in anticipation of the tax has diminished by consumption, the business of the match manufacturer, and consequently the revenue to the government, have correspondingly increased. This rapidity of increase is strikingly exemplified by reference to the following return,\* made to the commission, of the stamps (of one cent denomination) purchased by one of the leading match manufacturers of the country. Thus, for the five months from January, 1865, to May inclusive, the number used monthly was 660,000; in June and July, 1,155,000 each; in August and September 1,760,000 each; and in each of the months of October and November 2,090,000, making an increase from May to October of 1,430,000, or over 216 per cent. in five months. Dur-

\* Previous to September 1, 1864, it was the custom of match manufacturers to put about fifty matches in a bunch; but since that date, in order to reduce the tax, they have caused *each package* to contain one hundred. The adoption of this method, therefore, practically reduces the tax one-half.

ing the last six months the manufacturer referred to purchased no less than 10,895,000 one-cent stamps, which were affixed to the same number of bunches of matches, and paid the government for the same a *tax of* \$108,950!

From the returns submitted to the commission, of the match manufacture of the United States, it appears that there are now in the country about fifty large establishments, and that from the present demand for the consumption of matches they anticipate it will require for the next fiscal year a production of 2,400,000 gross, or 345,600,000 bunches, which will yield a revenue of \$3,456,000.

The revenue derived from the stamp excise in Great Britain for the year ending March 31, 1865, was £9,531,947, (\$47,655,735.) This, however, includes legacy and succession duties, the taxes on insurance, gold and silver plate, and on newspapers, which, under the United States excise system, are included in other departments. Excluding the receipts from these sources, the amount returned from stamps under the British excise was £3,531,717, (\$17,658,585,) showing an excess of more than six millions of dollars as compared with the receipts from the same source in the United States for the last fiscal year. The commission, however, from such examination as they have been able to give to the subject, are inclined to the opinion that the capacity of this source of revenue in the United States will prove very much greater than the results of the experience of Great Britain. In proof of this they have but to call attention to the facts before cited in reference to matches.

Another illustration to the same effect may also be found in playing cards. In Great Britain the amount received in the year ending March 31, 1865, from a stamp duty of three pence (six cents) per pack on cards was £8,801, (\$44,005,) indicating a manufacture of 704,080 packs. In 1860 the average number of packs of cards manufactured in the United States was believed to be in excess of six hundred gross per week, or about four and a half millions of packs per annum. This, with a stamp duty corresponding with that levied in Great Britain, would have yielded a revenue of \$269,568. The high prices of paper, colors, and other materials have considerably reduced the demand for cards within the last four years; but it is the opinion of a committee of card manufacturers, as presented to the commission, that, with a uniform stamp tax of five cents per pack, an annual revenue of at least two hundred thousand dollars may be derived from this source.\*

With this and some other amendments relating to proprietary medicines, and similar stamped articles, the commission are of the opinion that a revenue of *at least twenty millions of dollars* may be hereafter collected from stamps.

*Legacy and succession duties.*—When it is considered that the entire property of the country probably changes hands once in thirty-two years, (the lifetime of a generation,) it is evident that a small rate of tax, in the form of legacy and succession duties, must be productive of a large revenue. As such taxes, moreover, unless excessive, have little influence in checking the development of industry, their adoption and enforcement as a part of the present revenue policy of the country is to be strongly recommended. Thus far—by reason, probably, of some imperfections—the law relative to this subject in the United States has been practically a dead letter, as is proved by the very inconsiderable amount (\$46,703) which accrued from it during the last fiscal year. From the corresponding fiscal year the amount received from the same source in Great Britain was £2,337,994, (\$11,689,970.)

\* From returns made to the commission it appears that a single playing-card manufacturer in New York city paid for stamps in the year 1865 on the product of his manufacture \$41,731 10. Of these stamps two-thirds were of the two-cent and four-cent denomination. The number of packs returned as manufactured by this firm in 1862 was one and a half million, (1,500,000.) During the last fiscal year, owing mainly to the high price of paper, the manufacture and sale of playing cards has probably diminished to the extent of fifty per cent.

The commission submit the form of a bill intended to render the execution of the present law more effectual, and they are of the opinion that, with its adoption, or by the enactment of some equivalent provisions, a revenue of at least *three millions of dollars* may be secured from this source.

By an estimate made for the commission by a gentleman connected with the surrogate's office of the city of New York, the amount of property annually passing in that city by will or inheritance by kin is about thirty one millions of dollars, which, if assessed at the present lowest rate of legacy duty, one per cent., would have yielded an amount in excess of one-half the receipts from this source for the whole country during the last fiscal year.\*

*Tax on gross receipts.*—From gross receipts the revenue for the fiscal year 1865 was \$9,697,866. Under this head are included, mainly, the taxes levied on transportation and intercommunication; and as the majority of them, railroads excepted, yield but inconsiderable amounts, and are in opposition to the general system of revenue which the commission recommend, sound policy requires that they should be repealed as soon as practicable.

Thus the receipts from bridges and toll-gates for the fiscal year 1865 was \$75,269; from canals, \$92,421; from ferries, \$126,133; from stage-coaches, wagons, &c., \$469,188; and from railroads, \$5,917,293.

Under this head are also included telegraph and express companies, the former of which pay five per cent., and the latter but three per cent., on the gross amount of their receipts. For this discrimination the commission can see no good reason. Express companies, as at present constituted, are, for the most part, monopolies, and the average rate of profits paid by them is believed to far exceed the ratio of profits in almost any legitimate business. The commission, therefore, recommend that the tax on the gross receipts of telegraph and express companies be equalized, and are inclined to the opinion that the tax on receipts of express companies might be well advanced to a higher figure than five per cent. An increased revenue from such an advanced rate will compensate in some degree for any reductions that may be made on the taxes now levied on bridges, toll-roads, ferries, ships, &c.

The revenue receipts from telegraph companies, for the fiscal year 1865, were \$215,050 62; and from express companies \$529,275 89.

Under the present law (section 120) the dividends and interest upon the bonds of certain corporations therein enumerated are made liable to the income tax, which is payable by the proper officer of such corporations. The commission are unable to discover any valid reason why the moderate dividends of banks and railroad companies should be thus taxed, while the larger profits of express companies, manufacturing and other corporations, are omitted. As these returns are invariably made by an officer who has no pecuniary interest therein, it is believed that they are uniformly more nearly correct than the average returns of income made by individuals; and they, therefore, recommend an amendment of the law, which will include in the provisions of the above section all important incorporated companies for whatever purpose organized.

The commission assume that the revenue derivable from gross receipts for the fiscal year ending June 30, 1867, will continue as at present, about \$9,000,000.

*Tax on sales.*—Under this head are included the sales by auction, by merchandise, stock and gold brokers, &c.—the whole affording a net revenue of \$4,062,243 54.

The present rate of tax upon the sales of stock-brokers is one-twentieth of one per cent., or five dollars on the sale of ten thousand dollars of the par value

\* The value of the whole real estate and personal property in the United States in 1860 was upwards of sixteen thousand millions of dollars, (16,159,000,000.) Allowing thirty-two years as the lifetime of a generation, and assuming the legacy and succession duty at an average of one per cent., the receipts from this source should yield annually five millions of dollars.

stocks sold. The testimony of the leading brokers in New York dealing in stocks, as sworn to before the commission, seems to establish the fact that the present rate is far too heavy to be raised from the whole amount of business effected. The business is not able to pay it, and in consequence of this, there can be no doubt that the tax, as now imposed, is largely evaded. By the members of the stock-exchange of New York and other cities the tax is usually regularly paid, but the business done at these centres forms but an inconsiderable part of the great daily transactions in stocks, bonds, and other securities. Of the remainder of the business a very large part, undoubtedly, is taxation altogether. As an illustration of this, it may be stated that there are a large number of dealers who employ brokers to sell stocks, and then they themselves, paying to the broker simply his commission for selling. The broker does not follow up such transaction, cannot control it, and cannot enforce the payment of the tax.

It is the opinion of experienced men in Wall street that if, during the last few years, the present rate of taxation had been paid on all their transactions, the revenue received by the government would far exceed what those effected in the business during that time are now worth.

It should also be borne in mind that the stock-brokerage business is taxed more frequently; a tax being imposed on every certificate of stock and on every contract for the delivery of stock. The rate of stock-brokerage is, on the average, one-eighth of one per cent.; the ordinary commission of merchants is two and a half per cent.—twenty times as large as the commission of brokers. To reach the same result at the end of the year, a broker must do twenty times as much business as a merchant does; hence twenty times as many checks must be passed, which checks all bear stamps; thus making that the stamp duty upon checks in brokerage is twenty times as much as on the general mercantile business of New York.

It is the opinion, further, of those most conversant with the stock-brokers' business of New York, that if it were possible to absolutely enforce the law as it now stands, the brokerage business for the sale of stocks would be almost or completely extinguished.

In a review of the whole subject, in which they have been aided by the testimony of the leading members of the New York stock-exchange, (one of them formerly been a prominent member of the Committee of Ways and Means, that draughted the internal revenue law,) the commission would recommend that the present law imposing a tax of five dollars on every ten thousand dollars, or one-twentieth of one per cent. on the par value of all stocks sold, be repealed, and in lieu thereof a tax of one dollar on ten thousand dollars, or the hundredth ( $\frac{1}{100}$ ) of one per cent. on the par value of the stock, be substituted, collected in the following manner:

At each sale of stock be accompanied by a bill or memorandum of sale with necessary stamp attached, and in default of affixing the necessary and legal stamp on such bill of sale, the parties selling the stock and receiving the proceeds shall be liable to a penalty, one-half to go to the informer and the remainder to the government; the same to be recoverable at any time prior to the expiration of twelve months from the date of the transaction.

That a tax thus levied can, in the opinion of the commission, be collected without universally, will fall equally on all, be oppressive to none, and will add to the government an increase of revenue.

It should also be stated that the bulk of the transactions in government securities at present is done (according to the statements made to the commission) at one-sixteenth of one per cent. ( $\frac{1}{16}$  of one per cent.) profit, which is about \$10,000. If the present tax of \$5 on \$10,000 be deducted from this, (5%) it does not afford sufficient profit to continue the business. Furthermore, as the business of the great cities increases, the transactions become more



concentrated, and much larger business is done at a smaller rate of profit formerly. The large dry-goods jobbers of New York, who a few years ago sold goods to the value of one million dollars per annum at from ten to fifteen per cent. profit, now sell from thirty to forty millions per annum at from two per cent. profit; and what is thus true of the dry-goods business is strikingly true of the transactions of the stock-brokers.

In adopting, therefore, the principle of subjecting large and frequent business transactions, turning on small profits, to the *minimum* specific tax, the government will but follow a long-recognized and sound commercial policy.

There is at present no tax imposed on government securities, but it is included in the phrase, "stocks, bonds, or other securities," of the section which subjects brokers' sales to taxation. The commission believe, however, that it would be a sound and wise policy to exempt all transactions for the sale and purchase of national securities from every form of internal taxation.

The commission also recommend that the rate of tax levied on the sale of exchange and gold brokers be made to correspond with that proposed in relation to sales of stock-brokers, and they submit a form of bill to that effect.

From the aggregate tax on sales, the commission assume, for the future, an annual revenue of at least four millions of dollars.

*Miscellaneous.*—For the fiscal year ending June 30, 1865, the receipts of the United States from miscellaneous and incidental sources were \$32,978,284 47.

For the year ending June 30, 1867, the Secretary of the Treasury estimates the receipts from lands and miscellaneous sources (premium on gold, contracts, penalties, &c.,) at twenty-one millions of dollars.

For the future, although it is to be expected (and hoped) that a large portion of the revenue now included under the head of miscellaneous (*viz.*, all derived from the premium on gold) will be diminished; yet it is altogether probable that under any circumstances, a considerable amount of revenue will always be derived from miscellaneous sources.

For the fiscal year 1867, the commission adopt the estimates of the Secretary of the Treasury—*viz.*, *twenty-one millions of dollars*; and they are of opinion that in subsequent years an equivalent amount will accrue from incidental sources—sales of land, fines, and penalties, new forms of taxation, unexpected increments of old ones.

#### AGGREGATE ESTIMATES.

A recapitulation of the foregoing estimates gives us the following aggregate results for the fiscal year ending June 30, 1867:

From customs.....	\$130,000,000
From excise, viz:	
Distilled spirits.....	\$40,000,000
Fermented liquors.....	5,000,000
Tobacco and its manufactures.....	18,000,000
Cotton, (raw).....	40,000,000
Coal oil, refined petroleum, &c.....	3,000,000
Spirits of turpentine, and rosin.....	2,000,000
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Licenses.....	15,000,000
Incomes.....	40,000,000
Salaries.....	2,000,000
Banks.....	15,000,000
Stamps.....	20,000,000
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	108,000,000

Receipts.....	\$9,000,000	
Excises.....	4,000,000	
Gifts and successions.....	3,000,000	
		\$108,000,000
Excise receipts, 1866-'67.....		21,000,000
Aggregate.....		367,000,000

to the above sum the amount received in the fiscal year 1865, from direct and indirect taxes on industry, which, excepting the amounts from the excise on spirits, beer, tobacco, cotton, petroleum, and naval commission estimate at about *sixty-eight millions of dollars*, we have as revenue possible to be derived from all sources, under the present amendments above proposed, FOUR HUNDRED AND THIRTY-FIVE OF DOLLARS, (\$435,000,000.)

Estimates of the Secretary of the Treasury for the expenditures of the ending June 30, 1867, including interest on the public debt, are, as stated, two hundred and eighty-four millions of dollars. Allowing the expenditures to be increased *sixteen millions of dollars* above these estimates (making an aggregate of three hundred millions of dollars,) and setting *eighty millions* additional for the reduction of the principal of the public debt, A SURPLUS WILL REMAIN (assuming the correctness of the estimates of the Secretary) APPLICABLE FOR THE REDUCTION OF TAXATION, OF EIGHTY-FIVE OF DOLLARS, (\$85,000,000.)

The estimates of revenue, as above submitted, are less in the aggregate than the commission believe will actually be realized, without some unexpected interruption of the trade and industry of the country; and the results of their continued investigations and enlarged experience deepen their conviction that *the capacity of all the great sources of revenue have been under estimated.*

In the opinion of the late Commissioner of Internal Revenue, founded on large experience, that *if the excise law, as it stands, were thoroughly enforced, THE REVENUE FROM THE EXCISE ALONE WOULD EQUAL OR EXCEED FIVE HUNDRED MILLIONS OF DOLLARS (\$500,000,000) per annum*; and in opinion the commission, from their own observation, fully concur. It is, therefore, no matter of surprise, that with an increased efficiency and economy on the part of the revenue officers, the average monthly and quarterly of internal revenue also continue progressively to increase.

Being, then, the results indicated as substantially correct, the possibility of carrying out the revenue policy advocated by the commission, concentrating the sources of revenue, and of relieving industry of all burdens which tend to check its development, is demonstrated.

The present system—which, in contrast with the present “*diffused*” system, may be called the “*concrete*”—is, in the opinion of the commission, the only one adapted to the age and to our condition—the only one compatible with great results, and with that large freedom to industry and circulation which can ever adequately supply the coffers of an enterprising, competitive, and progressive people.

Direct taxes can be easily, cheaply, and surely collected, and distributed with a satisfying equality; for it is to be remembered that a tax on the necessities of life is, in effect, a tax upon all, without the vexatious and unequal application. “The oil operators find that one well, intelligently placed in the right spot, will drain the whole basin, better than many, with less expense and no disturbance of the surrounding country. In like manner we

must draw our revenue from few sources, and avoid the error of many and less perforations."

Again, the productiveness of a tax—like, for example, the tax on industry is not its first consideration. The three hundred millions of revenue annually required to meet our national expenditures and interest is a very large amount to take from the resources of the nation; but it is nothing serious in comparison to the blight which may result from the manner of taking it—a blight which ruins the harvest it cannot gather. Freedom from multitudinous taxes, espionage, and vexations; freedom from needless official inquisitions and intrusive freedom from the hourly provocation of each individual in the nation to concealments, evasions, and falsehoods; freedom for industry, circulation, competition everywhere—give the nation these conditions, and it will give in return a flowing revenue. Deprive the people of freedom in industry, and there will be appointing revenues, discontent, embarrassment, and demoralization everywhere cheerfulness and prosperity nowhere.

It may, however, be urged in opposition to the plan of the commission relieving manufacturing industry from taxation, that the enormous profits which have recently accrued to manufacturers is a good reason for continuing to impose upon them, at least, some considerable taxation. It should, however, be borne in mind that the present and recent condition of affairs is entirely abnormal, and cannot continue for any great length of time; and that for every case cited as an illustration of excessive profits realized by persons or corporations engaged in manufacturing, there is an equal or greater number in which no profit whatever has been realized; and furthermore, that the profits in the first instance are quite as likely to have accrued from a superior ability and discretion exhibited in management, as from any actual advantages of the business.

It is an error, moreover, to assume that manufacturing establishments, large or small, are always profitable. It can, undoubtedly, be shown that in many departments they do not yield large profits in more than three years out of five, and they scarcely ever escape two years of heavy losses in every ten years. These losses arise from a variety of causes, such as the fall of prices, disaster to machinery, the bankruptcy of customers, commercial revulsions attended with stoppage of business and cessation of demand. Fluctuation of prices is the bane of domestic industry, for though a great rise yields at times an enormous profit, it carries fear and perilous change into every business, and causes men for years to stand on the very verge of insolvency. Not less than a third of those who engage in the production of any commodity subject to competition from abroad, and the special fluctuations of foreign trade, are utterly ruined because they can attain that capital and strength which will enable them to maintain themselves under all contingencies.

Men who are paying from \$6,000 to \$60,000 annual tax cannot continue five years, and most of them not three years. A conjunction of any heavy loss with such a burden of tax, will inevitably crush them, and at the same time produce a diminution of revenue.

It should also be remembered that, as the law imposing taxation on the products of industry now stands, the tax is liable to fall equally upon the losses of the manufacturer as upon his profits. Many instances of the former character have been cited to the commission,\* in some of which the effect of the tax

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\* The commission would call attention, in this connexion, to the following extracts from the testimony of a witness having large experience and knowledge of the manufacturing industry of New England, taken by them in their investigations relative to cotton as a source of revenue:

Question. What is the condition of the cotton-manufacturing industry in this country at the present time, (October, 1865?)

Answer. The results are, certainly, very profitable to the manufacturer, and have been the last three months.

conjointly with losses, has been to compel a discontinuance of the

notwithstanding the demonstration which the commission believe they presented of the desirability, and also of the practicability, in a financial view, of so amending the revenue system of the United States as to simplify and simplify the collection of taxes, they are not prepared to demand that an entire and radical change be immediately made.

In the present condition of the currency, and of the trade and commerce of the country, any financial estimate which can be made of the future must be not only problematical, and is liable to be affected by causes which the most prudent cannot now foresee.

The commission, therefore, recommend that while the system proposed by them should be accepted substantially as the revenue policy of the country for the future, the change from the old to the new system should be made gradually, and so fast as experience and renewed examination of the subject will indicate that it can be done with prudence and safety.

In the present condition of the revenue, however, warrants, in their opinion, a recommendation that at least the following reductions or changes be made, to take effect at the commencement of the next fiscal year, July 1, 1866, or sooner, in the judgment of Congress, it is considered expedient:

*Repeal of section 100 of the amended act of March 3, 1865, (generally known as schedule A,) such of its provisions as relate to and impose a tax upon billiard tables" excepted.*

Taxes imposed under this section and schedule, viz: on wagons, carriages, pianos, plate, yachts, &c., although laid mainly on articles of luxury, and immaterial in their character, and are productive of more annoyance to the people than of trouble and expense to the government than is commensurable with the revenue derivable from them.

For the fiscal year 1865, the revenue derived from gold plate mounted watches, \$126,622; from piano-fortes, \$7,751 82; from watches, \$9,138 61; from pianos, \$2,098 33; and from billiard tables, \$67,754. The amount by which the revenue would be reduced in consequence of a repeal of section 100, the tax on billiard tables excepted—taking as a basis the returns of the fiscal year ending in 1865—is \$459,822 54.

*Repeal of all that part of section 94 of the amended act of March 3, 1865, which provides for the assessment and collection of taxes on repairs of cars, carriages, ships, &c.*

Taxes of this character are taxes upon prudence and economy, and their enforcement upon the statute-book can only be justified by imperative necessity. The following examples strikingly illustrate the difficulty and annoyance of

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- Q. How has the business been, as regards profit, for the last twelve months?  
 A. The results of the business for the six months previous, say from the 1st of January to the 1st of July, (1865,) were disastrous—extremely disastrous—to the cotton manufacturers; many of the large companies making up with a loss of from \$50,000 to \$300,000 in six months.  
 Q. Can you give any specific instances of losses sustained by cotton corporations in the last twelve months?  
 A. Yes; I can give an instance of a corporation, having 18,000 spindles only, that with a loss of \$96,000, say from the 1st of December, (1864,) to the 1st of June, 1865.  
 Q. How much tax did they pay during that time?  
 A. I should say \$12,000. Another mill of about the same size lost \$120,000 for the same period.  
 Q. What tax did they pay?  
 A. They must have paid \$18,000 tax.

interpreting and enforcing the tax upon repairs: thus a worker in iron or tin makes a stove one hour, upon which he pays a six per cent. manufacturing tax, and the next hour repairs a stove, on which, if the repairs exceed ten per cent. of the value, he is required to pay a tax of three and six-tenths per cent. A blacksmith in like manner makes a taxable article, and then in a like manner repairs one just like it. Neither of these persons can reasonably be expected to keep separate accounts of these transactions, upon which the rates of tax differ. Furthermore, the tax on repairs must necessarily depend entirely upon the workman's own estimate of the value of the article before the repair, as it is not taxable unless its value is increased ten per cent. by the repair; and the assessor, or assistant, cannot, and should not, be present as a spy to appraise all articles repaired.

Again: if the worker in wood repairs a wheelbarrow worth one dollar, by adding ten cents to its value, it is taxable, but if he repairs a carriage or piano worth five hundred dollars, no tax accrues unless he adds fifty dollars to its value. The tax, with this limitation, therefore, is generally favorable to articles of luxury, and bears stringently upon articles of necessity.

Again: by the present limitation of the tax on manufactures and repairs, to such manufactures and repairs as together exceed the rate of six hundred dollars a year, (or fifty dollars a month,) and a tax on the difference when the same exceeds the rate of six hundred dollars, and does not exceed the rate of one thousand dollars, a new calculation must often be made after it is ascertained that the repairs have increased the value ten per cent. Thus, if the manufactures and repairs amount to eighty dollars, which amount is less than the rate of one thousand dollars per year, (estimated monthly,) then the tax is upon the excess of fifty dollars, namely, thirty dollars. The tax upon this excess, namely, thirty dollars, is to be apportioned at different rates of tax, in the proportion which the amount of repairs bears to the amount of manufactures.

It is, moreover, often found practically impossible to assess a tax on repair upon the principles of the present law. Thus, for example, a wheelwright repairs a carriage to the amount of three per cent., and knows nothing more about it. The owner or his agent then passes it to another tradesman blacksmith, trimmer, or painter, neither of whom knows what the extent of entire repair may be, nor the value of the carriage before the repairs. The result is, that the repair, however extensive, must go untaxed, or the owner must be taxed. By the strict construction of the present law, it is doubtful whether an owner can be taxed as a manufacturer, unless he furnishes materials in whole or in part, and whether the subject of repair furnished by the owner is in itself a material for the repair. For it is the "repair" which is by the law made a manufacture. But whether this be the case or not, it is the universal testimony of all revenue assessors and collectors that all taxes which are intermittent, occasional, or exceptional, like this on repairs, should be avoided, inasmuch as the tax is not understood by the tax-payers, is difficult of collection, tends to render the law odious and inquisitorial, and requires more labor and expense on the part of the government to collect it than is compensated by any revenue accruing therefrom.

The revenue derived from this source during the fiscal year, 1865, was as follows:

From repairs of engines, cars, carriages, &c.....	\$294, 437 15
From repairs of ships, steamboats, and other vessels.....	36, 835 61

Making the whole reduction of the revenue by the repeal of this section, assuming as a basis the returns of 1865.....	331, 272 76
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*And repeal (subject to certain exceptions) of all that part of section 94 provides for the assessment and collection of taxes on wearing apparel.*

All the taxes imposed under the present revenue system, none, probably, are more effectual in "grinding the faces of the poor" than this; while there are few which have given more annoyance and trouble to the revenue officers entrusted with their assessment and collection. The main object which has prompted the commission to ask for a repeal of this portion of the law is a desire to relieve from taxation a great multitude of small operators, such as milliners, makers, shoemakers, and small tailors.

products of industry, whose exemption from excise is recommended, are, mainly, of prime necessity to the poor as well as to the rich, and do not go beyond a certain extent, of any economy in their use. The component of clothing, such as are taxed within the extent of that portion of the law referred to, are furthermore, almost without exception, heavily taxed before being fabricated, and an additional tax on them, therefore, as finished articles, inevitably involves excessive duplication of taxation.

the operation of this law, moreover, small taxes are collected from a great number of small and poor operatives—milliners, dressmakers, shoemakers, and so on—in a manner unworthy the dignity of a great nation, and obviously not contemplated by the original framers of the law.\*

is doubtless true, that many who are engaged in the manufacture of wear-  
 -parel are in affluent circumstances, and are abundantly able to pay the  
 -out the condition of the great majority is far otherwise; and the commis-  
 -sioner a review of the whole subject, can see no way of making a discrimi-  
 -between the two classes. Besides, if it be assumed that the tax in this  
 -ce falls upon the consumer, the repeal of this section of the law will con-  
 -tly be for the relief of the whole people, rather than for the benefit of the  
 -ers, or manufacturers. The commission, therefore, recommend the fol-  
 -; enactment :

bat on and after July 1, 1866, wearing apparel of all descriptions, whether to order or for general sale—clothing, boots, shoes, gloves, mittens, moccasins, hats, caps, and bonnets, or other articles of dress made for the wear of women, or children—shall be exempt from excise: *Provided*, That such persons shall not apply to any articles of clothing manufactured for sale by machine, or by hand, by knitting, or felting, (hats excepted;) nor to any articles made separately for sale as constituent parts of clothing, or for the ornamentation of the same; nor to any article made from fur, or fur-skins dressed with the fur on, or lined with india-rubber; or to hoop-skirts, or paper collars: *And provided further*, That every person, firm, or corporation, who shall manufacture any of the foregoing articles, exceeding annually the sum of one thousand dollars, shall pay

The character of this taxation may be better illustrated by the following copies of returns  
 in the book of the collector of the eighth district of New York, for September, 1865 :

	Amount of tax.
Epstein, milliner.....	\$1 04
Abernethy, dressmaker.....	1 20
Wagner, milliner.....	1 58
Warman, dressmaker.....	1 75
Stern, manufacturer of cloaks.....	42
<b>&amp;c., &amp;c.</b>	

total collections in this month, in the above district, from twenty-four persons pursuing above vocations, amounted to only \$49 23.

the ninth district of the same city the commission have also before them a return or report for the month of November, 1865, on thirteen persons, for repairs to clothing, for a specific amount charged to each ranging from 51 cents to \$5 83, and showing an average of but \$28 57. The value of the monthly industrial product on which the above were assessed ranged from \$15 up to \$162, but the returns of only two exceeded \$100; those of the majority were under \$60.

five dollars for a license ; if exceeding two thousand dollars, ten dollars ; and for every additional one thousand dollars, five dollars."

The amount by which the revenue will be reduced by a repeal of the excise on these articles, taking as a basis the returns for the fiscal year 1865, will be as follows :

Clothing.....	\$6, 820, 936 65
Boots and shoes.....	3, 280, 627 29
Gloves, mittens, &c.....	30, 180 14
Making an aggregate of.....	<u>10, 131, 744 08</u>

This amount will be somewhat further augmented by the revenue from hats, caps, and other articles, the revenue from which, not being returned separately, cannot be ascertained by the commission.

4th. *A repeal of the excise duty of two dollars and forty cents per ton levied upon pig iron ; the repeal of the duty of six cents per ton levied on mineral coal, and of the duty of one dollar per barrel on crude petroleum.*

These articles are all raw materials lying at the basis of great branches of industry ; and it is for the interest of the country that their production and sale should be, to the greatest possible extent, increased and cheapened.

The reduction of the revenue by the repeal of the duties on these articles, adopting the returns of the fiscal year 1865 as a basis of computation, will be as follows :

From pig iron.....	\$1, 484, 362 82
From coal.....	835, 993 91
From petroleum.....	.....
	<u>2, 320, 376 73</u>

The amount of revenue derived from the tax on crude petroleum, (one dollar per barrel,) for the fiscal year ending June 30, 1865, was \$229,545 94. As the revenue from this source was not included in the aggregate estimates of future receipts heretofore given, no allowance is now made for it in the above reductions.

For similar reasons to the above, and in view of the termination of the reciprocity treaty, the commission would recommend that the duty now imposed on bituminous coal of foreign production, imported into the United States, be reduced from one dollar and twenty-five cents to fifty cents per ton.

The quantity of coal imported into and exported from the United States during the fiscal year 1865, according to the returns of the Treasury Department, is as follows :

Imported under the reciprocity treaty, <i>free of duty</i> , 13,025,432 bushels, valued at.....	\$1, 209, 504
Paying duty, 6,131,608 bushels, valued at.....	568, 076
Exported, of domestic production, 3,708,264 bushels, valued at..	1, 348, 371
Exported, of foreign production, 25,536 bushels, valued at.....	3, 437

5th. *A repeal of all excise taxes on printed books, magazines, pamphlets, reviews, and all other similar printed publications.*

The amount by which the revenue will be reduced by exempting these articles from taxation, taking as a basis for estimate the returns for the fiscal year ending June 30, 1865, will be \$354,528.

Assuming that all the taxes above indicated are repealed, the aggregate reduction of the revenue likely to be experienced, therefore, taking the returns of

scal year 1865 as a basis for estimate and comparison, will probably amount to about fifteen millions.\*

, in addition to the reductions above specifically referred to and recommended, the commission would further recommend, *that on and after the 1st of July, 1866, the taxes levied and paid upon all goods, wares, and merchandise, enumerated in section 94 of the amended act of March 3, 1865, be reduced fifty per centum; and that no allowance or deductions whatever, in the amount of the same, for freight, and commissions and other expenses of sale, be authorized or permitted.*

Such a reduction would at once compensate, in great part, for the excessive taxation of taxes now complained of; and, with the continuance of the prosperity of the country, (which such a deduction must necessarily promote,) would, in the opinion of the commission, impair the revenue to an extent sufficient to cause any anxiety.

The adoption of further reductions, the commission recommend, should be dependent on the experience of another year.

#### REDUCTION OF THE PUBLIC DEBT.

In their estimates of revenue and expenditures, it will be seen that the commission have assumed fifty millions of dollars as the sum that may be set aside, annually, for the redemption of the principal of the public debt. They, however, do not wish it to be understood that they are in favor of the withdrawal of such amount, *at present*, from the annual revenues of the nation, for such a purpose. On the contrary, they believe that it is for the interest of the government that taxation should be reduced, at the earliest possible moment, to its minimum, thereby making sure the future industrial development of the country; and that no considerable sum should be, for the present, raised by taxation, for the reduction of the principal of the public debt.

The burden of taxation is now, undoubtedly, at its *maximum*, and the pressure of local taxation increased to pay the interest on local war expenditures is, probably, more severely felt than even the burden of national taxation, inasmuch as the general government has taken to itself nearly every source of revenue except the single one of real estate, which had been before burdened with expenditures for schools, roads, and other matters with which the local governments stand charged.

Instances can be cited in which taxation upon real estate even now falls but little short of confiscation; and in others, where property has been but partially imbedded, the demands for the several classes of taxes absorb nearly the whole of the profits derived from it; the burden in every case becoming more and more oppressive with every step in the direction of appreciation in the gold value of the property in which the taxes must be paid. Justice and wise policy, therefore, would seem to demand that the national government should not now adopt any measures calculated to maintain or increase these burdens; but, on the contrary, should do all in its power to diminish them. Such a course, so far from protracting the time at which the national debt can be discharged, would, it is believed, only accelerate it; inasmuch as "the power of contributing to the public treasury increases almost geometrically as the activity of the societary circulation increases arithmetically."

Looking to the past, we find that while our population has been accustomed to double itself in about twenty-four years, our production has been supposed to increase twice as rapidly, or to quadruple itself in the time required for the

\* probable reduction consequent upon the changes in the income tax recommended by the commission, does not need to be taken into account in this estimate, inasmuch as it is fully allowed for in the estimates heretofore given of the revenue likely to be derived from this source.



duplication of the other. While looking to the future, in view of this fact, we have reason to believe that the power of national production ten years hence will be more than twice as great as it is at present. That it will be so, provided that we soon remove all those taxes that now tend to impede national development, cannot be doubted; and if so, the revenue system, which may be now framed to yield three hundred millions of dollars per annum, cannot fail to yield, in 1875, at least double that amount.

In confirmation of these views, the commission would refer to the experience of Great Britain, whose revenues have, in the short period of twenty years, (from 1842 to 1862,) increased fifty per cent.; or, from £48,000,000 (\$240,000,000) to £72,000,000, (\$360,000,000,) notwithstanding the exemption from taxation, during the same period, of 1,119 out of 1,163 articles that had been previously subject to import duties.

The more completely, therefore, that we now close our eyes to the existence of the principal of our debt, and the more we give our attention to the adoption of measures tending to increase the productive power of the country, and to reduce the rate of interest payable on public and private liabilities, the more rapidly will be the increase in the money value of the landed property of the Union, the more readily will all the local taxes be paid, and the sooner shall we arrive at that condition of affairs in which it will be possible to boast that the war debt, local and general, whether held at home or abroad, has been once again extinguished.

#### THE RECIPROCITY TREATY.

In accordance with the resolutions of Congress and the notification of the Executive, the commercial arrangement known as the "reciprocity treaty," under which the trade and commerce between the United States and the British provinces of North America have been carried on since 1854, expires on the 17th day of March, 1866. The consideration of the effect which the termination of this important commercial arrangement is likely to have upon the revenue, as well as upon the trade and commerce of the United States, has legitimately formed a part of the duties devolved upon the commission, and has also been especially commended to their attention by the Secretary of the Treasury. The commission do not, however, propose to present in this connexion any review of the history of the treaty, or of the circumstances which, in the opinion of Congress, have rendered its termination expedient. This work has already been performed under the auspices of the Treasury Department, by E. H. Derby, esq., of Boston, to whose able and exhaustive report the commission would refer, without, however, indorsing its conclusions. There are, however, certain points connected with this subject to which the commission would ask special attention.

The first of these is, that during the continuance of the reciprocity treaty the trade and commerce between the United States and the British North American provinces *has increased* in ten years *more than three-fold*, or from seventeen millions in 1852 to sixty-eight millions in 1864; so that at present—with the exception of Great Britain, the commercial relations between the United States and the British North American provinces outrank in importance and aggregate annual value those existing between this country and any other foreign state.\*

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\*The value of the import and export trade of the United States with the following countries for the year ending June 30, 1864, was, according to the treasury report, as follows, (in round numbers:)

Great Britain .....	\$317,000,000
British North America.....	68,000,000
Spanish West Indies.....	57,000,000

also, they think, be fairly assumed, that taking into consideration the of the two countries in population and wealth, (that of Canada for the years having preserved a nearly equal ratio in this respect with that of the United States,) the trade as at present existing is really but in its infancy, and the future may be expected to develop an increase equally as great as the past.

Change in the conditions under which a reciprocal commerce of such magnitude is now developing, ought not, therefore, to be made without the most serious consideration.

Regarding the present treaty, the commission, as the result of their investigations, have been led to the conclusion that its continuance, under existing circumstances, unless accompanied with certain important modifications, is not desirable on the part of the United States.

The members, however, are also unanimous in the opinion, that in view of the close political connexion of the United States with the British provinces, (remembering them in many respects but one country,) and of the magnitude of the special relations existing between them, it would be impolitic and to the detriment of the interests of the United States to decline the consideration of all propositions looking to the re-establishment of some future and satisfactory international commercial arrangement. Such a course would be in entire opposition to the spirit of the age, the liberality of our people, and the policy of developing our resources as a means of diminishing the burden of our debt.

Without such an arrangement, the question of whether either of the parties to the treaty has, or has not, conformed to the spirit of its stipulations, is of little consequence. It is the future, not the past, that we are to consider; and if advantageous terms for the future are offered—terms which are calculated to promote the development of the trade and commerce of the United States, encourage commerce, and prevent difficulties with our neighbors, and at the same time secure the revenues of the country from serious and increasing frauds—it would be the opinion of the commission, most impolitic to disregard them.

An offer on the part of the provincial authorities to re-negotiate in respect to commercial relations of the two countries, is in itself an expression of desire for an arrangement that must be in every respect reciprocal, inasmuch as it is not that no treaty can, for any length of time, continue that does not confer the benefit of both parties.

It is evident that the necessities of the United States will for many years require the imposition of high rates of taxation on many articles, and that with the importation of such articles, free or assessed at low rates of duty in the British provinces, the enforcement of the excise laws on the borders will be a matter of great difficulty, annoyance, and expense; and under all ordinary conditions an annual loss of the revenue must inevitably occur. The experience of nations of Europe has shown that to attempt to wholly prevent smuggling under the encouragement of high rates of duty, is an utter impossibility. However, such an arrangement can be made with the British provinces as to secure a nearly or quite complete equalization of duties, excise and customs, so that it will be apparent that all evasions of the revenue laws by smugglers would soon come to an end, and that the attainment of the above result would be of immense advantage to the United States in a revenue point of view.

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.....	\$29,000,000
and Bremen.....	29,000,000
.....	20,000,000
.....	19,000,000
.....	19,000,000
West Indies.....	12,000,000

Again : it is also urged that under the existing system the products of American industry subject to high rates of excise are injuriously brought into competition with similar products of provincial industry which are subjected to little or no excise, and then admitted into the United States free of duty. That such is the fact cannot be denied, and is itself a reason why the abrogation or modification of the present reciprocity treaty has become imperative. But if it were possible to effect such an arrangement with the British provinces as would allow the imposition of duties equivalent to the American excise on all articles of provincial production passing into the United States, it seems clear that the aforementioned objection would be entirely removed.

As the whole subject, however, is now before Congress for consideration, the commission do not consider it as within their province to submit any specific recommendations, but would content themselves with merely pointing out that under certain circumstances, conditions of great advantage to the United States, in a revenue point of view, might be secured.

#### ORGANIZATION AND ADMINISTRATION OF THE REVENUE SYSTEM.

Under the terms of the act authorizing the commission, they were required to consider the best and most efficient mode of raising the revenue, and were intrusted with power to "inquire into the manner and efficiency of the present and past methods of collecting the internal revenue."

In accordance with this provision the commission have devoted as much time as was at their command to the consideration of the above subject.

It must be obvious, in the outset, that however perfect may be the system of revenue law devised, unless an efficient and judicious administration of the same is also provided for, the results will be anything but satisfactory.

As the case now stands, there can hardly be said to be any general and efficient organization of that department of the revenue which relates to the customs. The system devised in the infancy of the nation has been gradually enlarged and modified to meet the requirements of an increasing and now enormous commerce ; but so imperfectly and irregularly has this been done, that the whole system at present seems wanting in method and centralization ; and the government, in this department of its business, is obliged, as it were, to do the work of a giant with the toy instruments of a child. The commission believe, furthermore, that there is not, at this time, any individual connected with this branch of the revenue who possesses such an acquaintance with the relations of our customs system to the trade and commerce of the country as is possessed by the supervising official of the customs departments of either Great Britain or France ; and what is more, there probably never will be any such, so long as appointment and continuance in office are made dependent on political considerations.

As regards the New York custom-house, the channel through which about two-thirds of the custom receipts of the whole country pass, want of time has prevented the commission from making extensive personal inquiry ; but judging from the numerous statements presented to them, and from the evidence elicited by the Committee on Public Expenditures (H. of Rep., 35th Cong., 2d sess., Report No. 25—1865,) they feel satisfied that the necessity of reform in the manner of doing business in this institution was never more urgent than at present.

Of the officers employed in the New York custom-house, it is believed that a majority of them have no special qualifications for their places, and little knowledge of the law under which they discharge their duties ; while the estimates presented to the commission of the annual losses experienced by the government, through the frauds perpetrated in connexion with this institution, range from twelve to twenty-five millions of dollars.

A very large part of these frauds arises from the undervaluation of invoices,

coupled with neglect and incompetence in the department of the appraisers. To enter into any detailed account of the manner in which these frauds are perpetrated would, however, require more space than is at the command of the commission in the present report; but as an illustration of the common, systematic, and shameless manner in which it is conducted, they would state that they have had exhibited to them two invoices received during the past few months from one of the leading and most respectable houses of one of the chief cities of Europe, one of which invoices, sworn to falsely for the payment of duties, was nearly forty per cent. less in amount than the other which was transmitted for the private account of the importer.\*

The attention of the commission has, furthermore, been called to a case which has occurred very recently, concerning a foreign publication imported in sheets into New York, for which an American house offered to double the price at which the sheets were invoiced, and use them as a raw material for the manufacture of printing paper, although rags and like materials are admitted free of duty. The sheets of the publication in question were invoiced with their covers at three farthings, could be bound for a fraction of a cent each, and are sold in the American market at from eighteen to twenty-five cents.

The effect of such frauds is not to be measured merely by the actual loss of revenue sustained by the government, but also includes the injury inflicted upon the honest importer or the American manufacturer, who is forced to submit to a competition against which no skill or industry will enable him to protect himself. And it is undoubtedly true that, in this way, no tariff enacted of late years has fully accomplished the end it was intended to subserve.

Another prolific source of fraud in the customs is connected with the present system of refunding duties paid or alleged to be paid in excess. "The number of such cases pending in the New York courts averages five hundred and over a year, sometimes running up to one, two, or even three thousand, and involving millions of dollars," to which must be added an aggregate of costs of no small dimensions. In some of these cases, it is the conviction of old and experienced custom-house officials that the government has been made to refund duties three or four times in succession, and that a large part of the business can be characterized as nothing less than shameless and systematic robbery, involving, it would seem, not unfrequently, collusion on the part of government officials.

\* The following is a list of prices, per thousand litres, at which Rhine wines have been recently passed through the custom-house, and a list of the real prices discovered by reference to the books of the importers:

Custom-house invoices.	Real invoice.
230 florins .....	530 florins.
150 " .....	330 "
250 " .....	580 "
180 " .....	450 "
110 " .....	240 "
320 " .....	700 "
350 " .....	700 "
191 " .....	460 "
153 " .....	320 "

All these goods were passed by the New York appraisers at the lowest prices. (Report of the Committee on Public Expenditures, page 98.)

"There are probably no more honorable merchants in the Union, or in the world, than are to be found in New York, but we have also always a large number who look upon our revenue laws as simply an instrument to be set aside, if possible, in order to defraud the revenue. There is no moral restriction whatever imposed on them. They look upon our revenue laws, as they do in Europe, as barriers which they are justified in getting over, if they can. Catch them once, and they will laugh at you, and say you are not smart enough to catch them again. One of them, who paid \$10,000 the other day, said to me, 'I do not believe you will be smart enough to catch me again.' They do not consider it any disgrace to violate the revenue laws." (Testimony of C. S. Franklin, deputy naval officer, Congressional Report, page 101.)

It ought to be clearly understood by the people of the country that a continuance of this laxity in the management of the customs revenue is equivalent to increased taxation; and that every dollar taken from the revenue under various pretences in this department must, necessarily, be made up by an equivalent assessment.

In regard to the Internal Revenue department, the commission have no allegation of fraud to present; but at the same time are constrained to say that, in point of organization and administration, it is very far from what it should be. In proof of this, they have but to cite the opinion of the late Commissioner, before referred to as concurred in by the commission, that if the law, as it now stands, could be fully and effectually executed, the receipts from it would not fall short of \$500,000,000 per annum; or, in other words, that a complete administration of the law would justify wiping out more than one-half of the excise tax from the statute-book.\* If we admit the truth of this statement, even in an approximate degree, the commission might here rest their argument in favor of the necessity of reorganization. They will, however, briefly call attention to some of the leading imperfections of the present system.

One of the most prominent of these is a lack of power and authority in this department to control itself, especially in the matter of expenditures. In regard to this latter, the law itself allows but little discretion; and what little there is, is vested in officers of the Treasury Department, who, although they may be the most faithful and vigilant guardians of the public moneys, have little or no experience in connexion with the collection of internal revenue, or practical knowledge of its workings. It therefore, undoubtedly, often happens that in an honest desire to prevent the waste of public money, a small sum may be saved at an expense of one of much greater magnitude.

Thus, as illustrations of this character brought to the notice of the commission, they might cite cases where vigilant officers, who have devised plans at slight expense for simplifying returns, or detecting fraud, have been obliged, after the government has adopted their recommendations, and been benefited by their services, to have the small expenditures thus incurred deducted from their salaries—a course equivalent, in fact, to offering a premium for continued inefficiency and want of method. Again: officers who have been detailed on special service, and have performed such service, bringing back thousands of dollars to the treasury, have had their accounts for small expenditures, even when approved by the Commissioner, disallowed or reduced by the auditing officers. The commission would not be understood as intending to censure the auditing officers for the course pursued by them, as it was undoubtedly in strict accordance with the law; but they would say that they do not think it is for the interest of the government or the country to allow the revenue system to be curtailed of its usefulness, either by reason of such laws, or by any special interpretation placed upon them.

Another cause of imperfection in the internal revenue system is undoubtedly due to a limitation in the number of highly competent and responsible officers, and to the inadequacy of the salaries paid to them. Starting less than four years since with one Commissioner and one clerk, the business of the internal revenue has increased to such an extent that probably it now exceeds in magnitude the entire Treasury Department previous to the war, and is at present receiving more money every quarter than the whole annual revenue of the gov-

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\* Thus a committee of the Association of Journeymen Boot and Shoemakers of the city of New York, in a return to the commission, estimate the value of the boot and shoe industry in that city as being \$16,837,200 per annum. Deducting fifty per cent. from this to represent the exemptions of \$1,000 to each manufacturer, allowed by law, and for overestimates, the amount of revenue which ought to have accrued to the government from this source, under the six per cent. manufacturing tax, would be \$506,016, while the amount actually collected was less than \$100,000.

ernment prior to 1860. The amount of mailable matter which leaves the office is reported to average one and a half ton daily.

With all this labor and responsibility, the internal revenue is but a bureau of the Treasury Department, and, with the exception of the Commissioner, deputy commissioner, and cashier, no provision has been made for clerical assistance independent of the department.

With the present organization of the office, the commission believe that no one man can be found mentally or physically competent to faithfully discharge all the duties devolving upon and expected from the Commissioner; while the clerk in charge of the division of accounts is required to possess as high an order of qualifications, and to perform more intricate, responsible, and laborious duties than any employé of any private firm or corporation in the country. The salary of the former of these officials is now fixed by law at four thousand dollars per annum, and that of the latter at eighteen hundred dollars.

The operations of the internal revenue, and also of the customs, affect the character of nearly every industrial and moneyed interest in the country; and all experience has shown that great numbers of designing persons are ever on the alert to take advantage of imperfections in the law, and of the inexperience of officials, to evade the law and defraud the government.

The only counter-check, therefore, for government to rely upon is the integrity, faithfulness, capacity, and experience of its agents; and for the government to endeavor to procure and retain the services of men competent to discharge responsible trusts at less salaries than is paid by leading banks, or private mercantile firms or corporations, will not only, probably, be impossible, but will result in very poor economy.

The system under which drawbacks are allowed on products of American industry exported from the country which have previously been subjected to excise is also represented as being very imperfect and complicated, and as presenting an obstacle to the resuscitation and development of our trade with foreign nations, impaired by the events of the last four years.

With the adoption, however, of the policy recommended by the commission, viz: of removing the excise from nearly all products of industry, many of these difficulties will undoubtedly be obviated.

The present system of the allowance of moieties of forfeitures and penalties to informers is also undoubtedly exercising a very demoralizing influence. In a mere pecuniary point of view, however, no expenditures of the government probably produce so large a return, both direct and indirect, as flow from the distribution of these moieties, and so long as the present organization of the revenue is retained the commission find it difficult to devise a better arrangement.

Attention should also be called to the fact that the chief business of the office of the internal revenue at Washington, and the chief depository of its records and papers, are located in a building which is not fire-proof, and that at any moment the whole machinery of the department is liable to be thrown into great confusion, with the infliction of irreparable losses, by reason of circumstances against which there is now no adequate provision.

But an imperfection in our whole revenue policy more serious and radical than any yet adverted to, and which affects alike both the customs and the excise, is that of making the appointment, retention, and promotion of officers of the revenue dependent on other circumstances than qualifications of good behavior. So long as this policy prevails—a policy never adopted by any private firm or corporation having a due regard to their own interests, and one entirely ignored by all the leading states of Europe—a thoroughly efficient and economical administration of the revenue, coupled with the education of a competent corps of officials, cannot reasonably be expected. Under the present system, inspectors of spirits have been appointed who were entirely ignorant of the hydrometer

and disregarded its use; and inspectors of tobacco, who require to be instructed as to the nature of the different varieties of this article when manufactured, previous to entering upon the discharge of their duties.

The commission are also informed that efforts for the removal of competent officers have, in some instances, undoubtedly been made for the sole reason that in the faithful discharge of their duties they have interfered with the private interests of wealthy and influential individuals.

The commission consider it imperative that some action should be speedily taken by Congress on this subject; and that the necessities of the country should override any advantages that now may accrue in the distribution of patronage in the revenue department of the government. Good men, honest, competent, and efficient, should be sought out and placed in all the positions requiring tact, skill, and judgment, and on such salaries as will enable them to live and continue honest; they should, moreover, hold their situations by such assured tenure as to induce application and faithfulness. Thus would the government have the benefit of experience, every year growing more and more valuable.

To remedy the imperfections of the existing revenue system, which the commission have thus briefly alluded to, an entire reorganization of the whole machinery and policy of its administration seems necessary; but, before offering any suggestions on the subject, they would call attention to some of the peculiarities of the administration of the British revenue.

The leading features of the British administrative system consist in placing the customs and excise under the charge of separate and distinct boards of commissioners, each consisting of five members and a secretary. To each is also attached a law officer of great ability and large salary,\* which are respectively known as the solicitor of the customs and solicitor of the excise. To these separate boards of commissioners (which the commission understand it is now contemplated to unite) very large powers are intrusted to make and amend the regulations under which the revenues are to be assessed and collected; and in respect to the appointment of all subordinate officials, who, before receiving such appointments, are required to undergo strict examinations as to education, business qualifications, health, and moral character. No distribution of moieties of fines and forfeitures to informers is allowed, but the boards of commissioners are empowered, at discretion, to pay for information, to distribute rewards, and to promote in office for good service.

Superannuated and faithful officers are also allowed pensions on retirement from office. To such an extent, moreover, is the British revenue, in all its departments, divorced from party and politics, that all officers and employés of the revenue are even deprived of the right of suffrage while in service, though otherwise qualified; while it is understood that no influence on the part of any member of Parliament, or even of the chancellor of the exchequer, will avail for the securing of an appointment under the revenue, unless the candidate receive, at the same time, the approval of a majority of the board or commissioners, under whose supervision his duties are to be discharged. The consequence of this is, that the administration of the British revenue law is constantly improving, while frauds and defalcations on the part of the officials are rarely, if ever, heard of.

The responsibility of the collection, preparation, and publication of statistics of British revenue, trade, and commerce, to the accuracy and clearness of which we would refer as many as are involved between the respective boards of commissioners and the board of trade. The decision of all legal points connected with the revenue, and the publication and legal enforcement of the same, appear to devolve upon the respective revenue solicitors.

\* The salary of the solicitor of the customs is £10,000 a year, and the appointment is for life.

Whether a plan analogous to the British system, as thus presented, could be advantageously carried out in detail in the United States, and whether the same would be in all respects in accordance with the spirit of our institutions, is a question upon which the commission are not prepared to express an opinion, but they have no doubt that some of its leading features must form the basis of any sound national revenue policy.

In proposing a plan of change, however, they would suggest that the work of a reorganization should commence in the office of the Secretary of the Treasury itself. This office, with the exception of that of the Executive, is now undoubtedly the most responsible and important of any under the government; and the position of its occupant, as respects the future condition of the country, is not unlike that sustained by the commander-in-chief of the army during the most critical period of the war—a position in which the nation cannot afford to allow any risks of mistakes in judgment. With far more power than is intrusted to the British chancellor of the exchequer, or the French minister of finance, the office of the Secretary of the Treasury is at the same time, by long usage and custom, in many respects merely clerical. He is called upon, at one hour, as a member of the cabinet, to participate in the decisions of grave political questions, and in the next to decide upon the transactions of his lowest subordinate. Intrusted with the supervision of the expenditures of hundreds of millions annually, he is also the final arbiter for the settlement of the most insignificant disbursements. It is also the assumed privilege of nearly every individual in the country to address him on all subjects connected with either public or private interests; and courtesy and usage demand that, in all instances, a reply of some nature should be given. The demands thus made at present upon the time and attention of the Secretary of the Treasury are wholly inconsistent with a proper consideration of those great questions of finance submitted to his decision, upon the wise determination of which the future welfare of the nation is inevitably dependent. To impose, therefore, any subordinate and trivial duties on this great officer of state is both to degrade his office and to imperil the financial interests of the country.

The business of the Treasury Department, as at present constituted, may be classified under three heads: First, the collection of the revenue; second, the supervision of its expenditures; and, third, the management of the public debt and the national currency.

The commission would suggest that the first of these—the collection of the revenue—be transferred from the immediate responsibility of the Secretary of the Treasury, and, subject only to his general supervision, be placed under the charge of a new officer, subordinate only in rank and in amount of salary to the Secretary, who shall be styled the Under-Secretary of the Treasury in Charge of the Revenue; and that to this officer should be assigned the general oversight and direction of the collection of the revenues, and the preparation of an annual exhibit of the condition of the revenue, trade, commerce, and industry of the country.

If it were also allowed to the Secretary and the Under-Secretary of the Treasury to participate, on the floor of the House of Representatives, in all debates on revenue questions, the business of legislation might, probably, be greatly facilitated.

The commission would also propose that, in connexion with this new department of the Treasury, there should be appointed a commissioner of the customs, and a commissioner of the excise; with a solicitor of the customs and a solicitor of the excise; and that these five officers should constitute a board, to be known as the board of commissioners of the revenue, of which the Under-Secretary of the Treasury should be the chairman.

To this board should be referred the determination of all rules and regulations relating to the collection of the revenue; the expenditures to be incurred in re-



spect to the same; the management of all revenue processes at law; and the distribution of all moiety, received from forfeitures and penalties, in reward for good service and for valuable information. They would also propose that no subordinate officer of the revenue should receive a commission until his qualifications for the proper discharge of his duties had been examined into and approved of by the board of commissioners.

In the departments of the commissioners of customs and excise, they would further propose that each of the leading sources of revenue be recognized as a division of the revenue, and that the same be placed in charge of an officer, to whom the incentive of a permanent position and a good salary should be offered as an inducement for the attainment of a thorough acquaintance with, and efficient management of, his special trust.

This plan, which the commission have merely presented in outline, seems to them susceptible of being carried out in a manner which would remedy nearly all the imperfections of the present system, and greatly conduce to the best interests of the country; and if, in the judgment of Congress, it may seem expedient, and sufficient time be allowed for a careful study and examination of the whole subject, the commission will be prepared to submit a bill in accordance with the above suggestions.

If Congress should concur in the opinion that a reorganization of the revenue system, either according to the plan proposed, or some other, be expedient, the commission recommend that the change should be made as soon as practicable, especially before, in the Internal Revenue department, custom has developed into routine, and usage has acquired, through time, the binding effect of law. It required the best efforts of the most enlightened ministers of finance in France (Count Mollier, the Marquis d'Audiffret, and others) for thirty or forty years to replace the cumbrous and awkward system of finance which prevailed in that country at the commencement of the present century with the existing system, which is now acknowledged to be one of the best, if not the very best, in Europe. It ought also to be borne in mind that no revenue system, in its details, can or ought to be considered permanent. As resources develop, as forms of industry and commerce modify or change, and as revenue receipts, from particular sources, increase or diminish, the rate of taxes and the method of assessing them will need to be correspondingly modified. To prepare the basis for such changes by legislation would seem to require that the industry, the commerce, and the revenue of the country should be made the subject of special and continued study and investigation by some competent persons.

The commission feel certain that such labor, properly executed, would be of immense service, if not indispensable, to Congress.

The discharge of such service, however, does not seem to properly devolve upon congressional committees, to whom should be assigned the duty of examining and passing judgment, rather than of preparing material and digesting statistics.

The commission, therefore, would commend this subject to the special attention of Congress, and recommend that some arrangements for continued inquiry and investigation, of the nature indicated, should be provided for, either in connexion with or independent of the regular administration of the revenue.

In the mean time, in order to provide for a more perfect administration of the law in certain respects, the commission present the following forms of bills, which they would recommend to the attention of Congress:

First. A form of bill authorizing the Secretary of the Treasury to appoint, in such one or more collection districts as he may deem advisable, "*solicitors of the revenue*," who shall discharge the duties, now devolving on United States district attorneys, in all cases relating to frauds or violations of the revenue laws.

*The commission believe that the experience of the last three years, in the*

stration of the internal revenue, warrants the adoption of such a measure.

British system this plan has been found to work very advantageously. ndly. A form of bill, authorizing the Secretary of the Treasury to appoint officers, to be known as supervisors of the revenue, who shall discharge general and specific duties as are therein enumerated.

rdly. A form of bill, authorizing commissioners of the courts of the United States, under certain circumstances, to take cognizance of cases of forfeiture and suits committed under the revenue laws of the United States, and to give judgment in respect to the same, in accordance with the laws, subject to appeal to the district courts of the United States.

#### CONCLUSION.

In submitting this general report, the commission would again state that they were unable, from lack of time, to consider many of the topics of importance which have been referred to them. A number of special reports on various sources of revenue, with forms of bills, as by law directed, are herewith submitted, and others will be presented at the earliest practicable moment.

Among the separate reports which will be submitted is one by an individual member of the commission in relation to national securities—a topic which has very excited some discussion, and is likely to produce more. It is thought a majority of the commission that this report, and the bill accompanying it, should be referred, with your consent, to Congress, not only on account of the importance of its suggestions, and the arguments by which they are sustained,

but as a preventive of crude projects and plans which may be presented to Congress by those who have not devoted so much time to the consideration of the subject. If the policy of a sinking fund shall be adopted by Congress, suggested in the report alluded to is worthy of consideration.

The commission also desire to say that, in respect to some of the points discussed in their reports, there is a difference of opinion existing among its members, but that each recommendation of the commission offered is sustained by a majority of the commission, and that, as regards the report as a whole, it has the unanimous concurrence.

The commission would also again allude to the very great difficulty which they have experienced in their investigations in obtaining exact statistical information. The returns furnished by the Treasury Department do not, in any way, correspond with those furnished to the commission by the trade, or published in the various commercial circulars; and these latter, furthermore, do not always agree with each other. They cannot, therefore, claim that the statistics of production and consumption, given by them in their general and special reports, are absolutely correct. They are, however, believed to be approximately correct, and are the best results derivable from the data placed at their disposal.

The commission, furthermore, in closing their report, would take occasion to express their sense of obligation to the Secretary of the Treasury and to all those connected with his department—especially to the late and present Commissioners of Internal Revenue—for the prompt and effective assistance which has at all times been rendered to them in furtherance of the objects of their investigations.

As another gratifying feature of their labor, the commission are also enabled to report a most cheerful and prompt co-operation on the part of the representatives of nearly all the industrial interests of the country, for all which services they herewith tender their unqualified acknowledgments.

Respectfully submitted:

DAVID A. WELLS.  
STEPHEN COLWELL.  
S. S. HAYES.

L. HUGH McCULLOCH, *Secretary of the Treasury.*

## SPECIAL REPORT No. 1.

*Report of the United States revenue commission on tea as a source of national revenue.*

TREASURY DEPARTMENT,

*Office of the United States Revenue Commission, January, 1866.*

SIR : The following are the estimates of the consumption of *tea* in the United States since 1813 :\*

	Pounds.
1813 to 1820, mean annual consumption.....	3,300,000
1821, mean annual consumption.....	4,473,000
1830, mean annual consumption.....	6,873,000
1831 to 1841, mean annual consumption.....	12,448,000
1841 to 1850, mean annual consumption.....	16,246,000
1850 to 1861, mean annual consumption.....	27,363,965

For the ten years from 1831 to 1841 the mean annual consumption of *tea* in the United States is believed to have been 12,448,000 pounds. Assuming the average number of the free population in this period to have been 13,137,000, we have  $\frac{23}{100}$  of a pound as the consumption *per capita*.

For the nine years from 1841 to 1850 the mean annual consumption of *tea* in the United States is estimated at 16,246,000 pounds, which, for an average free population of 17,819,000, would be equal to  $\frac{21}{100}$  of a pound *per capita*.

It would thus appear that from 1831 to 1850 (a period of nineteen years) the increase in the consumption of *tea* in the United States only kept pace with the increase of population.

During the eleven years from 1850 to 1861 the whole amount of *tea* imported into the United States was 351,314,031 pounds. During the same time there were exported from the country 50,310,420 pounds, leaving for home consumption 301,003,611 pounds, or an average of 27,363,965 pounds per annum.

Assuming the average number of the free population for this period to have been 24,640,000, we have, therefore,  $1\frac{11}{100}$  of a pound as the average annual consumption of *tea per capita* for that period; showing a gain of one-fifth ( $\frac{21}{100}$ ) of a pound on the average of the years included between 1831 and 1850, or an increase in consumption of between six and seven per cent. per annum, while the increase in population was only three and a half per cent. per annum.

This great increase in the consumption of *tea* may be referred, in part, to the great prosperity of the country and the opening of the California trade; partially to the increased facilities and cheapness in transportation, by railroad, to all parts of the country, and partially to the cheapness of *tea* itself. From 1850 to 1856 the import of *tea* into the United States was largely in excess of consumption; so that in January, 1856, there was an estimated stock of *tea* on hand of at least 30,000,000 pounds. During the next five years, however, or from 1857 to 1861, inclusive, the excess of the imports over the exports fell short of consumption, so that on the 1st of January, 1862, the country was almost bare of *tea*.

The annual consumption of *tea* for the whole country for the year previous to the breaking out of the rebellion was estimated at about 30,000,000 pounds. Of this amount, the States which seceded and the State of Kentucky—in all comprising a free population of 8,000,000—are estimated to have consumed 3,000,000 pounds, or  $\frac{37}{100}$  of a pound *per capita*; while the remaining States, with a free population of 20,000,000, consumed 27,000,000 pounds, or  $1\frac{34}{100}$  of a pound *per capita*.

\* There are records showing the quantity of *tea* shipped from Canton to the United States as far back as the year 1784-'8.

this consumption by the free States, about 17,000,000 pounds may be set to the credit of the "black" teas, and 10,000,000 pounds to "green" teas. Following, according to the returns made to the commission by the Army Department, were the gross importations of *tea* into the United States for fiscal years 1861-'62, 1862-'63, 1863-'64:

'62.....	24, 739, 983 pounds.
'63.....	29, 761, 006 "
'64.....	37, 229, 176 "

no allowance is here made for re-exports, the above figures do not in any represent the consumption of the country. This the commission, from obtained from the trade in New York, believe to have been approximately shows for the years ending December 31, 1861, 1862, 1863, 1864, and 1865:\*

	Green Japan.	Black.	Total.
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>
.....	7, 485, 000	18, 035, 000	25, 520, 000
.....	13, 871, 600	13, 597, 000	27, 468, 600
.....	14, 490, 680	12, 415, 685	26, 906, 365
.....	13, 564, 295	9, 573, 251	23, 137, 546
.....	18, 874, 199	10, 979, 234	29, 853, 433

would thus appear that the effect of the war was to reduce the average consumption of *tea* in the loyal States during the war, as compared with the 1860-'61, *less than five per cent.* There is no allowance made in this estimation for smuggling. Whatever quantity may have been smuggled has reduced the consumption to that extent.

The influence of the imposition of a duty on *tea* in restricting consumption is, in the opinion of the commission, been very slight as compared with other commodities. For some time past, the first cost of the article itself in China has been unusually high. High rates of freight have also been paid in gold for its transportation on neutral vessels, (from five to seven cents per pound,) while the high premium upon gold operating on prime cost, freight and charges, has forced the price to the consumer to more than twice what it would have been with a hundred per cent. increase of duty, and gold at or near par.

referring back to the record of the imports heretofore imposed on *tea* imported into the United States, we find that, by the act of April 11, 1816, the existing comparatively heavy schedule of duties was adopted:

Teas.....	by American vessels, 12 c. per lb.;	by foreign vessels, 14 c. per lb.
Black and other black	do. 25 "	do. 34 "
Green and gunpowder	do. 50 "	do. 65 "
Black and young hyson	do. 40 "	do. 56 "
Green and other green	do. 28 "	do. 38 "

These duties amounted to from seventy-five to a hundred per cent. on Bohea, eighty to a hundred per cent. on Souchong and green, according to the then ruling prices.

This estimate of consumption is based upon imports, direct and indirect, and upon the quantity of *tea* re-exported. The movement of *tea* between the United States and the Canadas is included, but it does not, however, include the consumption of the Pacific States. During this year we had four months of actual war, and less than six months of peaceful commerce with the lines of communication open with all parts of the country. Trade statistics for the six months ending June 30, 1865, indicate that the consumption for that period, was in excess of fifteen million pounds for all kinds.

This act remained unaltered until March, 1833, when, by an act previously passed, (July, 1832,) all duties on *tea* imported in American vessels were remitted; the former rates being, however, retained as respects teas imported in foreign vessels. The importation in the latter class of vessels was, however, very small. The following table shows the quantities of *tea* imported and re-exported for the several fiscal years, ending September 30, from 1828 to 1840, inclusive:

Year ending—	Imports.	Exports.
	<i>Pounds.</i>	<i>Pounds.</i>
September 30, 1828 .....	7, 707, 437	1, 417, 846
1829 .....	6, 636, 790	1, 033, 995
1830 .....	5, 182, 867	526, 186
1831 .....	8, 609, 415	1, 736, 324
1832 .....	9, 906, 606	1, 279, 462
1833 { dutiable .....	2, 051, 182	748, 297
{ free .....	12, 588, 640	964, 482
1834 .....	16, 274, 769	3, 081, 126
1835 .....	14, 412, 380	2, 080, 742
1836 .....	16, 381, 126	1, 896, 342
1837 .....	16, 973, 742	2, 508, 020
1838 { dutiable .....	4, 066	2, 435, 302
{ .....	14, 414, 046	
1839 { dutiable .....	9, 756	1, 592, 033
{ .....	9, 340, 061	
1840 { dutiable .....	25, 119	3, 120, 692
{ .....	19, 981, 476	

After the repeal of the duties in 1833, the importations (as will be seen by reference to the table) increased very considerably, but being almost wholly in American vessels, very little revenue accrued from them. For the year ending June 30, 1850, the imports were in American vessels, free, 28,244,462 pounds, and in foreign vessels, dutiable, 508,355 pounds.

Up to 1846, *tea* imported in foreign vessels continued to pay the rates of duty imposed on the same in 1816, but in the act of 1846 they were left to pay *twenty* per cent. as unenumerated articles.

By the tariff of March 3, 1857, *tea* imported indirectly paid *fifteen* per cent, also as unenumerated.

By the act of August 5, 1861, which took effect on its passage, *teas* imported in American vessels were again charged with duty for the first time since 1833; the duties being *specific*, and upon all *teas* at the rate of *fifteen* cents per pound.

By the act of December 24, 1861, this rate was increased to *twenty* cents per pound; and by the act of June 3, 1864, the rate was further advanced on all *teas* to *twenty-five* cents per pound, and has since then remained unchanged.

In answer to a call made on the Treasury Department for information respecting the customs revenue derived from the importations of specific articles, the commission were informed at the outset of their labors, that "it is impossible to define the precise amount of the revenue received from the duties levied at various times upon tea. No distinct return of the actual receipts of revenue from particular articles was received until the commencement of the current fiscal year," (1865.) And again, "it cannot definitely be said what amount of revenue has been received from teas since the duties of 1861 were laid. The import statement embraces all going into warehouse, and the exports are not

only from warehouse, without payment of duty originally, but also from stocks which have paid duty, and on which drawbacks are not admitted."

In November, 1865, however, in answer to a second call of the commission for information, the department furnished the following statement of the imports of *teas* and the duties accruing on the same, for the fiscal years ending June 30, 1862 and 1865, inclusive, from the *five* ports of Boston, New York, Philadelphia, Baltimore, and San Francisco.\* As to the reliability of these statements the commission express no opinion. It will be observed, however, that there is a wide discrepancy between the returns of the department and the tables indicating consumption furnished to the commission by the trade in New York.

Year ending—	Amount.	Rate.	Duty accrued.
	<i>Pounds.</i>	<i>Cents.</i>	
June 30, 1862.....	315, 283	15	\$47, 292 45
1862.....	11, 773, 307	20	2, 354, 661 40
Total.....	12, 088, 590	.....	2, 401, 953 85
1863.....	18, 711, 646	20	3, 742, 329 20
1864.....	33, 195, 957	20	6, 639, 191 40
1865.....	18, 595, 314	25	3, 999, 524 50

*Present consumption of tea.*—Estimating the total population of the whole country in 1866 at 36,000,000 of all classes, the commission believe it will be perfectly safe, and probably within the mark, to base a calculation for present revenue upon an annual consumption of 30,000,000 pounds of all kinds of tea; which consumption, the duties remaining the same as at present, (i. e. twenty-five cents per pound,) will yield a revenue of seven million five hundred thousand dollars (\$7,500,000,) showing a gain of revenue as compared with the estimated consumption based on trade returns of 1864, and at the then rate of duty, (twenty cents per pound,) of two million eight hundred and seventy-two thousand four hundred and ninety-one dollars (\$2,872,491.) With a fall in the price of gold and a continuance of the general prosperity of the country, the commission, in common with some of the leading trade authorities on this subject, are further of the opinion that the consumption of *teas* in the United States will continue to increase hereafter at the rate of at least three and a half ( $3\frac{1}{2}$ ) per centum, or about one million of pounds per annum, giving thereby a proportionate increase of revenue.

The consumption of *tea* in different countries of Europe during the year 1860 was estimated as follows:

Great Britain.....	2.659	pounds	<i>per capita.</i>
Russia.....	.20	"	"
German States.....	.011	"	"
Belgium.....	.02	"	"
France.....	.089	"	"
Austria.....	.0013	"	"

In the United States, during the same year, the consumption of *tea*, *per capita*, for the whole population, was probably about one pound.

In Great Britain, during the year 1860, two and a half pounds of tea were consumed for every one and a quarter pound of coffee. In the United States, for the same year, about six and a half pounds of coffee were consumed for

\*From San Francisco, only until April 30, 1864.

every pound of *tea*. It may here be remarked that one pound of *tea* is generally considered as equal to three pounds of coffee.

At present the consumption of *tea* in Great Britain is largely in excess of that of any of the other countries of Europe, as well as that of America. "The recent rise and present magnitude of the British *tea* trade," says McCulloch, "are among the most extraordinary phenomena in the history of commerce."

The quantity of *tea* consumed in Great Britain in 1830 is estimated at 31,676,000 pounds; in 1840, it was estimated at 37,588,000 pounds; and in 1848, at 48,734,000 pounds. Since 1852 the increase in the quantity of *tea* retained for consumption in Great Britain, according to the official returns, and the distribution of consumption *per capita*, has been as follows:

Year.	Population.	Pounds consumed.	Consumption per capita.
1853.....	27, 806, 145	58, 834, 087	2.115
1854.....	27, 961, 569	61, 953, 041	2.215
1855.....	28, 116, 993	63, 429, 286	2.255
1856.....	28, 272, 417	63, 278, 212	2.238
1857.....	28, 427, 841	69, 159, 843	2.433
1858.....	28, 583, 265	73, 217, 484	2.561
1859.....	28, 738, 689	76, 362, 008	2.657
1860.....	28, 894, 113	76, 842, 016	2.659
1861.....	29, 049, 540	77, 949, 464	2.683
1862.....	29, 204, 964	78, 817, 060	2.698
1863.....	29, 360, 388	85, 206, 779	3.902
1864.....	29, 515, 812	88, 637, 099	3.003

This extraordinary consumption of *tea* in Great Britain cannot, in the opinion of the commission, be regarded as any indication of prosperity on the part of the consumers. The view taken by the most recent chemical authorities in relation to the physiological action of *tea* is, that it tends to diminish the waste of the system, and therefore supplies to a certain extent the lack of other nutritious food. That the same conclusion has been practically arrived at, through experience, by the working and poorer classes of Great Britain, seems evident from the statement made by Professor Leone Levi, in 1860, in his work on British Taxation—that *tea*, next to bread, is regarded by the above-mentioned classes as a pure necessity of life. "In various parts of England," he continues, "those whose wages range from eight shillings (two dollars) to twelve shillings (three dollars) per week almost live on bread and *tea*, and the women especially take it at all meals. Many of the working classes use *tea* three times a day; and among the working females *tea* and sugar constitute the chief articles of their diet. In Ireland *tea* and sugar are consumed even by the poorest, although they thereby deprive themselves of more nourishing food; and in the south of Ireland, among the agricultural population, those who cannot afford to use these articles for general diet purchase small quantities, about sixpence worth, at Christmas and other holiday times."

If the above supposition that the extraordinary increase in the consumption of *tea* in Great Britain during the last thirty years is due in great part to the circumstances of its being used as a substitute for other and more concrete food, it is evidently useless to expect that any increase in the consumption of *tea* in the United States will take place from similar causes.

It might possibly be further inferred that a part or all of the enormous increase in the consumption of *tea* in Great Britain was due to a progressive decrease in

the rates of duty. An examination of the subject will not, however, in the opinion of the commission, warrant any such inference.

Tea is probably less affected in price to the consumer, by any increase or decrease of duty, than any other article that enters into consumption among a civilized people. There is practically but one producing country, and the trade, therefore, partakes of the features of a monopoly; a decrease of duty inuring to the advantage of the producer, and conversely an increase of duty inuring to the disadvantage of the producer. This statement is abundantly proved by the following table, taken from the report of the British commissioners of customs for 1865:

Year.	Average rate of duty.		Average price of tea per lb. in bond.		Year.	Average rate of duty.		Average price of tea per lb. in bond.	
	s.	d.	s.	d.		s.	d.	s.	d.
1848.....	2	2½	1	0½	1857.....	1	5½	1	5½
1849.....	2	2½	1	1	1858.....	1	5	1	4½
1850.....	2	2½	1	3½	1859.....	1	5	1	6½
1851.....	2	2½	1	2½	1860.....	1	5	1	6½
1852.....	2	2½	1	0½	1861.....	1	5	1	5
1853.....	1	11½	1	3½	1862.....	1	5	1	7½
1854.....	1	6½	1	3½	1863.....	1	1½	1	6½
1855.....	1	8	1	3	1864.....	1	0	1	6½
1856.....	1	9	1	2½					

We see, therefore, that while the duty on tea was reduced in Great Britain, between the years 1848 and 1864, to the extent of fifty-five per cent., the average price of *tea* in bond during the same period exhibited a corresponding increase of about fifty per cent.; and this, too, notwithstanding that (as the report of the commissioners of customs states) heavy importations of tea into Great Britain in 1862 and 1863 overstocked the market, leaving on hand in 1864 a much larger stock than was held in any previous year; showing that the advance in the price of tea in Great Britain was not owing to any diminution of supply, but rather resulted from a decrease of duty, in spite of a heavy supply.

When the intelligence reached China, by telegram, of the last reduction of sixpence per pound in the British duty, the price immediately responded in an equivalent advance, owing partly to the more extreme views of the Chinese sellers—who are shrewd merchants and sensible of their monopoly—and partly to the increased competition among the English merchants as buyers.

There being no material competition among buyers of tea of the green descriptions in the Chinese market, except for the American market, an inference that a further increase of duty in the United States (if Congress should deem the same expedient) would fall on the producing country to a considerable extent, is, therefore, fully justified. Owing to the large profits of the trade, it is reasonable also to infer that not an inconsiderable portion of any increase of duty would be borne by the middle-men, who stand between the importer and consumer, rather than by the consumer.

The staple tea of Great Britain is Congou, of which there is little or no consumption in the United States; and this, together with "Souchong," (both coming under the general denomination of "black,") forms, almost exclusively, the consumption of the British people. On the other hand, no "Congou," and probably not more than 2,000,000 pounds of "Souchong," are used in the United States, whose consumption is mainly of "Oolong," (which is properly a "green" tea, though classed as black,) "green," and "Japan," (also a green tea, and, until recently, unknown to commerce.) The "Bohea," which was so extensively used in the United States thirty or forty years since, is not now imported.



Attention should also be called, in this connexion, to the fact that the increase of the *per capita* consumption of *tea* in the United States has kept pace with the *per capita* increase in Great Britain since 1834.

Since 1840 the average rates of duty imposed on *tea* in Great Britain have been as follows :

	<i>s.</i>	<i>d.</i>	
From 1840 to 1845.....	2	2½	sterling per pound
From 1845 to 1852.....	2	2½	" "
In 1853.....	1	11½	" "
In 1854.....	1	6½	" "
In 1855.....	1	8	" "
In 1856.....	1	9	" "
In 1857.....	1	5½	" "
From 1858 to 1862.....	1	5	" "
In 1863.....	1	1½	" "
In 1864.....	1	0	" "

During the year 1865 the duty was further reduced to sixpence per pound, which rate it now remains.

Tea, with the exception of sugar and tobacco, constitutes the most productive article on the list of British customs. The largest gross receipts from tea in one year were in 1852, and amounted to £5,985,484 ; equal to about \$29,942,000, in a consumption of 54,724,425 pounds, under the duty of 2*s.* 2½*d.* this year the receipts from tea exceeded the receipts from sugar, wines and spirits or tobacco, and constituted more than one quarter of the entire custom receipts. The gross revenue derived from the duties imposed on tea imported into Great Britain during the five years from 1860 to 1864 inclusive, has been as follows :

1860.....	£5,442,923	or about	\$27,214,
1861.....	5,522,320	"	27,611,
1862.....	5,582,793	"	27,913,
1863.....	4,652,822	"	23,264,
1864.....	4,431,868	"	22,159,

The quantity of *tea* imported and consumed in France, Austria and Belgium is small, and the revenues derived therefrom very inconsiderable.

*Cost of tea.*—By far the largest proportion of the cost of tea to the American consumer is made up of the profits of the jobbers and retailers.

When it is considered that the "ship-off" price of good *tea* is about eight taels per pecul, or eighteen cents per pound, and that to be deducted from this is the export duty, two and a half cents, the toll levied at the various mandarin stations on its transit to the shipping port, the expense of packing, as well as two or three profits before it reaches the hands of the exporting merchant, it is readily seen that the portion of the price going into the hands of the original pickers and producers must be very small. The average day's wages of the people do not probably exceed ten cents. The cost of staple grades of black (Oolong) *tea*, which is the staple *tea* of American commerce, is about *thirty cents gold*, laid down in New York, free of duty—that is to say, "in bond" this includes all charges, selling commission, freight, insurance, &c. ; all of this price being profit. The profits of the *tea* trade, after leaving the importer's hands and before reaching the consumer, have been enormous. This statement accounts for the very numerous shops where nothing but *tea* (and perhaps coffee) is dealt in as a specialty ; and it is probably within the truth to say that of the profit paid by the consumer, probably not more than one-fourth reaches the original importer. In proof of this statement the following test was made :

and of Oolong tea was purchased of each of two different and respectable persons in New York, on the same day, at one dollar and a half (\$1 50) per

This tea was immediately taken to one of the leading "tea brokers," and by him at a market price of ninety (90) cents for one of the same and ninety-three (93) cents for the other. The market for tea at this time was steady, and had been so for some months; gold was also steady, at 47, and had not been below 144 for months, nor had it touched 150 for a period. The broker's valuation, returned to the commission on the same day, was the price at which the tea would have been sold by the broker. The tea in question cost probably about eighty (80) cents (current New York, laid down, including duty and all charges; the profits of the broker ranged from ten to thirteen (say 12) cents per pound, while the cost of the tea to the consumer—about fifty-eight cents (or seventy-two per cent. of the cost to the consumer)—was taken by whoever stood between the importer and the consumer. A condition of trade that permits such an iniquitous system to be made out of the consumer certainly needs reformation. It is impossible to say what profits have been paid by the consumers of tea in remote parts of the Union; but it is probable that the average of two or three cents per pound will cover the cost of transportation to the remotest sections of the East and western States. Fifteen cents in gold (five for the importer and ten for the trade) is a liberal profit to be divided between the importer and the consumer, making forty-five cents for a pound of tea, suitable for the middling classes, and as good probably as they are in the market of using, allowing for duty.

*Cost of teas.*—*Teas* cost more than "black," but the consumption of the former is very small in comparison to that of Oolong and Japan *teas*.

*Rate of duty.*—As regards the rate of duty, the commission are inclined to hold the opinion that the present rate (*i. e.*, twenty-five cents per pound) is the proper standard, and they would recommend that the same *be neither increased nor diminished*. But whatever may be the duties laid upon tea, they should, as far as possible, be *made specific and without distinction of quality*.

Almost infinite varieties of grades and values of tea, and the impossibility of clearly indicating any distinctive and certain lines of demarcation between several qualities, render the assessment of discriminating or *ad valorem* duties extremely difficult, and the attempt to institute such a system, after having been tried in Great Britain, has been abandoned as impracticable. Specific duties, moreover, discourage the adulteration of teas, and encourage the importation of good qualities, thus indirectly benefiting the consumer.

*Preferential duties.*—By the present law a differential duty of *ten per cent.* is levied upon indirect importations of *tea* (*i. e.*, *tea* imported from the place of production through other countries) is imposed in addition to the regular duty. All of the indirect importations of *tea* at present are made *via* England. All *teas* come to the American consumer laden, probably, with the cost of two per cent. paid to the British carrying trade, one of which, probably, would be an *average* steamer freight.\*

Indirect importations also come laden with the expense of landing, stowing, fire insurance, &c., &c., with, perhaps, one or more selling commissions of two and a half per cent. each, altogether amounting to, perhaps, *thirty per cent.* on the market value in England.† Every package of *tea* landed in

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paid by the Liverpool steamers is 60s. per ton. Freight to England from China is 2s. equal in all to more than *four cents gold* on a pound of tea. Indirect importations of *tea* *via* England are paid for originally by *opium* from British cotton and woollen manufactured goods, or metals, or other merchandise the product of Great Britain. *Teas* imported direct are paid for to a great extent by the products of the American industry.

England is opened, and being thus exposed to the air, absorbs moisture, which increases its weight and deteriorates its quality. The increase in weight on English *teas* landed in New York is about three per cent. ; the cost of which increase falls, of course, upon the consumer, and augments the profit to the English merchant in proportion.

The New York charges on a sale of *tea by wholesale* (exclusive of the duties) are about *fifteen per cent.*, but they are all paid to our own people, and are, therefore, no loss to the country. It may doubtless be objected, that it is the interest of the consumer that there should be no obstacles in the way of indirect importations, if thereby he can get his *tea* cheaper. It is not probable that he would get his *tea* any cheaper; probably the difference between the American market price and the cost of indirect importation laid down in New York would disappear before it (the English *tea*) reached him, and therefore the indirect importation would not benefit the consumer, whose interest, next to that of the government and the country, is to be consulted. It is of the first importance to the American consumer that he should not unnecessarily pay thirty per cent. of the cost of the *tea* away out of the country; but it is his interest and the real interest of the country that all of the cost of the *tea* which is not paid to the producing country should be paid within the United States, thereby hastening the time when the government can abolish the duty altogether, or reduce it to a very low point. If the present differential duty of ten per cent. *ad valorem* were abolished, it is probable that in a very few years direct importations of *tea* would cease entirely, and London would become the commercial emporium of this country, so far as regards *tea*, as it now is of Continental Europe. Even with the present duty, large quantities are now indirectly imported, and the trade is passing out of the hands of the American importers.

The following table shows the great increase of the export trade of Great Britain in *tea*, and the decreased *direct* import trade of *tea* to the United States:

*Total exports of tea from China and Japan to the United Kingdom and United States.*

To Great Britain, season	1861-2	107,351,649 lbs.	To the United States	29,068,746 lbs.
" " "	1862-3	118,692,138 "	" " "	21,941,427 "
" " "	1863-4	119,689,238 "	" " "	24,204,193 "
" " "	1864-5	121,236,870 "	" " "	18,093,462 "

The superior advantages of the liberal bonded-warehouse system of Great Britain, her large market, her great and commanding resources of capital, necessarily place the United States on the defensive, if we desire eminence either as a commercial or manufacturing nation.

Advices from New York *via* London, thence by telegram to Point de Galle, thence by steamer to China, reach China in thirty days, so that the American market could not be short supplied with *teas* for any length of time, and therefore circumstances favoring indirect importation could only be of temporary duration.

*The commission, therefore, recommend that the present differential duty of ten per cent. ad valorem be repealed, and in lieu thereof a specific duty of ten cents per pound on all indirect importations of tea be substituted.*

With this differential duty the American merchants will be enabled to go into the importing business with some degree of security against loss, if they manage their business properly; and, by an active, healthy competition with each other, to keep prices at a low point. American importers are now thrown into competition with English merchants under the most unfavorable circumstances. The interest of money in England is only half what it is in the United States, and this is the great item of cost to the merchant in importing and carrying a stock of *tea*, so that he can be ready at all times to supply the market. The *tea business* requires a large capital, and a comparatively high rate of interest is the

greatest obstacle with which our merchants have to contend. The heavy stocks of *tea* constantly on hand in Great Britain are against them. During the year 1864 the surplus stock thus held was estimated at upwards of 100,000,000 pounds. Any portion or all of these heavy accumulations may be at any time precipitated upon the American market, to the derangement of all the business of the American importer, whose transactions, involving a period of at least eight months, are subjected to all this risk, and against which he cannot possibly protect himself.

*No abatement of duty in consequence of damage.*—It is a provision of the British tariff that “No abatement of duty shall be made on account of damage received by any *tea* during the voyage; but it shall be lawful for the importer to separate the damaged parts, and to abandon the same to the commissioners of the customs for the duty.” The commission deem it of importance that an analogous provision should be incorporated into the American revenue system, and they would further enlarge the scope of the act for the following reasons: It frequently happens that *teas* damaged by fire in bonded warehouses, as well as by salt water on the voyage of importation, are sold at auction, and the duties on the same are remitted *pro rata*, according to the *pro rata* deterioration of value; such *teas*, however, the commission are informed, are generally made over and pass into consumption, thus taking the place of sound *teas*, and defrauding alike both the government and the consumers. This business of renewing, by various methods, and revending damaged *teas*, is believed to constitute a considerable part of the business of the so-called popular “*tea companies*” which of late years have been established in most of our large cities.

The commission, therefore, recommend that an amendment of the revenue law be enacted to this effect: “That all *teas* or *coffee*, damaged by water or otherwise on the voyage, or by fire, water, smoke, or otherwise, while in bonded warehouses, on which duties accruing, or any portion thereof, are remitted, shall be abandoned to the government and forthwith entirely destroyed, under the direction and supervision of the collector of the port.”

The commission, in conformity with the act authorizing their appointment, submit herewith a form of bill, in accordance with the recommendations made by them in the foregoing report.

Respectfully submitted for the commission:

DAVID A. WELLS, *Chairman*.

HON. HUGH McCULLOCH,  
*Secretary of the Treasury.*

## SPECIAL REPORT NO. 2.

*Report of the United States revenue commission on coffee, &c., as source of national revenue.*

## TREASURY DEPARTMENT,

*Office of the United States Revenue Commission, January, 1866*

SIR: The following table exhibits the quantities and value of coffee imported into the United States, with the rates of duty and the revenue accruing therefrom, for the nine fiscal years from June 30, 1856, to June 30, 1864, inclusive.

Year ending June 30.	Gross importation.	Value.	Rates of duty from places other than where produced.	Rates of duty from places where produced.	Duties accruing.
	<i>Pounds.</i>				
1856 .....	235,241,362	\$21,573,558	20 per c't.	Free.	\$11,879
1857 .....	240,676,227	22,426,758	20	Free.	7,943
1858 .....	189,211,300	18,369,840	15	Free.	4,311
1859 .....	264,436,534	25,086,029	15	Free.	3,411
1860 .....	202,144,733	21,888,797	15	Free.	17,211
1861 .....	142,624,717	15,727,791	15	Free.	9,111
1861, (act of March 2, 1861) ..	41,874,938	4,840,506	Free.	Free.	
Total, 1861 .....	184,499,655	20,568,297	.....	.....	9

	Gross importations.	Imports entered for consumption and paying duty.	Rates of duty.	Duties accruing.
	<i>Pounds.</i>	<i>Pounds.</i>		
1862.—Act of March 2, 1861 .....	28,784,312	None.	Free.	None.
Act of August 5, 1861, } ..	58,868,644	{ 16,574,297	4 cents.	\$662,911
Act of Dec'r 24, 1861, } ..		{ 39,804,720	5 cents.	1,990,211
Total, 1862 .....	87,652,956	56,379,017*	.....	2,653,211
1863 .....	80,461,614	63,022,803*	.....	3,151,111
1864 .....	131,622,784	98,700,782*	.....	4,935,011
1865 .....	104,316,581	82,353,638*	.....	4,117,611

The above tables are based on returns furnished to the commission by Treasury Department.

\* Five ports—Boston, New York, Philadelphia, Baltimore, and San Francisco. From San Francisco only to April 30, 1864.

For the fiscal years ending June 30, 1866 and 1867, the commission estimate the imports for consumption and the duties accruing as follows :

Year ending—	Imports for consumption, (estimated.)	Rates of duty.	Duties accruing, (estimated.)
June 30, 1866.....pounds..	135,000,000	5 cents.	\$6,750,000
June 30, 1867.....pounds..	160,000,000	5 cents.	8,000,000

As a matter of interest, we also present, in this connexion, a series of tables, based on the Monthly Commercial Tables, published for the trade in the city of New York, showing the estimated annual consumption of coffee in the United States for the several calendar years from 1852 to 1865, inclusive. The discrepancies which exist between these latter and the treasury returns may be accounted for, in part, by the fact that the treasury returns from 1856 to 1861, inclusive, only indicate gross importations, and from 1862 to 1865, inclusive, are incomplete.

*Estimates from New York Commercial Tables and Reports.*

Atlantic States :		Estimated consumption.	
Year ending December 31, 1852.....	91,514 tons, or	204,992,000	pounds.
1853.....	78,432	175,688,000	"
1854.....	80,126	179,481,000	"
1855.....	93,920	210,378,000	"
1856.....	97,423	218,228,000	"
1857.....	77,039	172,566,000	"
1858.....	112,167	251,255,000	"
1859.....	99,380	222,610,000	"
1860.....	79,068	177,112,000	"
1861.....	83,500	187,046,000	"
1862.....	39,728	88,990,000	"
1863.....	35,589	79,720,000	"
1864.....	48,700	109,087,000	"
1865.....	57,208	128,146,000	"
Average, five years, 1852 to 1856, inclusive, 88,283		197,753,000	pounds.
Average, five years, 1857 to 1861, inclusive, 90,231		202,118,000	"
Average, ten years, 1852 to 1861, inclusive, 89,257		199,936,000	"
Average, four years, 1862 to 1865, inclusive, 45,306		101,486,000	"

Previous to the war, the United States ranked first among coffee-consuming countries—the average consumption from 1857 to 1861, inclusive, having been upwards of two hundred millions of pounds per annum, or ninety thousand tons, an amount equal to nearly twenty-nine per cent. of the average annual export of all the coffee-producing countries from 1856 to 1864. The rapidity with which the consumption of coffee in the United States has increased during the last forty-four years is also noteworthy in this connexion, the annual consumption in 1821 having been estimated at that date at only 5,306 tons.

It would also appear from a discussion of the above tables that, while the annual average consumption of the country for the six years immediately preceding the war was about two hundred millions of pounds, the war at once reduced the importations (as compared with this average) seventy-two per cent. in 1862 and

sixty-eight per cent. in 1863. From this point, however, consumption has increased rapidly, rising from sixty-three millions of pounds in 1863 to ninety-nine millions in 1864, (treasury estimates,) and one hundred and twenty-eight millions (commission estimates) in 1865. It is also interesting to notice, in this connexion, some of the disturbances and fluctuations of the trade in coffee occasioned by the war. Thus we find that during the first ten months of 1861, out of 781,830 bags of Brazilian coffee imported into the five principal Atlantic ports of the United States, 626 bags only were re-exported during the same period; while, during the first ten months of 1864, out of 485,292 bags of Brazilian coffee imported, 61,910 were re-exported, mostly to Europe. Again, during the first ten months of 1865, out of 551,591 bags Brazilian coffee imported, only 8,035 were re-exported during the same period, and these were sent mainly to Mexico.

Attention should be called, in this connexion, to the circumstance that of the importations of 1863 and 1864, and the first half of 1865, a very large proportion was purchased by the government for the use of the army and navy, the average monthly consumption of these two branches of the service ranging, according to estimate,\* from fifteen thousand to twenty thousand bags per month, averaging one hundred and forty pounds each, or from thirty to forty per cent. of the entire imports entered for consumption during the same periods. During the first five months, however, immediately succeeding the termination of hostilities, the increased demand for coffee for consumption in the United States not only made good the cessation of the large government demand, but also entirely cleared the market of a stock which had been considered by the New York trade as sufficient to meet the wants of the country for several months to come.

With the continuance of peace, and the general progress of the country uninterrupted, coupled with a reduction in the price of gold, the commission unhesitatingly express the opinion that the consumption of coffee in the United States will rapidly approximate to the annual average of the ten years prior to the year 1860—say to about two hundred millions of pounds—and in this opinion they are happy to state that they have the concurrence of the best commercial authorities on this subject in the country.

Previous to the year 1861, coffee, when imported in American vessels from the place of its production, and coffee, the growth of the possessions of the Netherlands, imported from the Netherlands, was admitted into the ports of the United States free of duty. By the act of August 5, 1861, however, a uniform duty of four cents per pound was imposed upon all coffee, which rate, by the act of December 24 of the same year, was further advanced to five cents per pound, and has since remained unchanged.

It is instructive, in this connexion, to compare the present rate of duty, as fixed by law, upon coffee imported into the United States, with the rates imposed upon the same imported article by some of the leading countries of Europe. They are as follows:

Great Britain.....	(3d.)	6 cents.
France.....		8 cents.
Russia.....		8 cents.
Zoll Verein.....		3 cents.
Austria.....		4½ cents.
Sweden.....		2 cents.
Norway.....		3 cents.
Spain.....		4 cents.

\* The commission applied to the Quartermaster General for information in respect to this matter, but no notice was taken of their application.

The average rate of duty on coffee in the above specified eight countries is therefore about the same (five cents per pound) as that imposed by the present tariff of the United States.

The amount of revenue received under the five-cent rate of duty, since and inclusive of 1863, in the United States, has been as follows :

Year ending June 30, 1863.....	\$3,151,140
Year ending June 30, 1864.....	4,935,039
Year ending June 30, 1865, (treasury estimate).....	4,117,681

For the current fiscal year 1865-'66, the commission, in view of the present amount of imports, as ascertained both from official and private sources, estimate the amount of revenue as likely to accrue from the duty on coffee, at \$6,750,000 ; and for the next fiscal year, 1866-'67, they are of opinion that the revenue from the same source, with the same rate of duty, (five cents,) will not be less than \$8,000,000 ; or nearly \$4,000,000 in excess of the estimated duties from this source during the fiscal year ending June 30, 1865. Furthermore, with the return of the country to the average annual rate of consumption of coffee for the five years immediately preceding the war—a return which high prices can only check and delay, but not prevent—a duty of five cents per pound may undoubtedly be relied on to furnish a certain and constant revenue of at least ten millions of dollars per annum. Under these circumstances, therefore, the commission can but regard the existing rate as the proper revenue standard, and recommend that it be retained unchanged.

The following table shows the average monthly range of prices of Rio coffee per pound in New York for the three years, 1860, 1863, and 1864 :

	1860. Gold.	1863. Currency.	1864. Currency.
January.....	11½ to 12½ cts.	28 to 30½ cts.	33½ to 34 cts.
February.....	11½ to 12½ cts.	31 to 33 cts.	33½ to 34 cts.
March.....	12½ to 13½ cts.	34½ to 35½ cts.	36 to 37 cts.
April.....	13½ to 14 cts.	31½ to 33½ cts.	39 to 40 cts.
May.....	13½ to 14½ cts.	31½ to 33½ cts.	45½ to 47 cts.
June.....	13 to 14 cts.	30 to 32 cts.	43 to 44 cts.
July.....	13½ to 14½ cts.	30 to 31 cts.	44 to 46 cts.
August.....	15 to 15½ cts.	26½ to 28 cts.	47½ to 52 cts.
September.....	13½ to 15½ cts.	27½ to 28 cts.	48½ to 50 cts.
October.....	14 to 15½ cts.	31 to 32½ cts.	36½ to 37½ cts.
November.....	14 to 15½ cts.	32 to 33½ cts.	41½ to 43 cts.
December.....	13½ to 14½ cts.	32½ to 34 cts.	43 to 44½ cts.
Average.....	13½ to 14½ cts.	30½ to 34½ cts.	40½ to 42½ cts.

The following table shows the average prices of coffee in New York at the close of the calendar years 1862, 1863, 1864, and 1865 :

	JAVA, per pound.	Rio, per pound.
1862.....	33 to 34 cents currency.	27 to 30½ cents currency.
1863.....	40 to 41 cents currency.	33 to 34½ cents currency.
1864.....	to 50 cents currency.	41½ to 45½ cents currency.
1865.....	28 to 29 cents gold.	17½ to 20 cents gold.

The bulk of the coffee consumed in the United States prior to the war appears to have been in the western and southwestern States. The annual requirements of the southern States for consumption were formerly estimated at from thirty to thirty-five thousand tons ; while the imports of coffee into the



port of New Orleans prior to 1860 were from three hundred thousand to four hundred and twenty thousand bags per annum. In 1860, the requirements of the various ports of the United States were as follows :

	Pounds.
New York.....	63, 523, 547
New Orleans.....	47, 380, 326
Baltimore.....	28, 257, 480
Philadelphia.....	15, 431, 985
Boston.....	9, 409, 849
Other ports.....	13, 108, 736
Total.....	177, 111, 923

It should also be remarked, that the consumption of the western and south-western States is confined almost exclusively to Brazilian coffee. In New England the consumption of coffee appears to be diminishing, and the consumption of tea increasing. It is also the opinion of the dealers that a larger proportion of adulterated coffees is used in New England than in any other section of the country. In the western States and middle States substitutes for, rather than adulterations of, coffee are used.

But notwithstanding the enormous consumption of coffee in the United States, an examination of the whole subject has led the commission to the conclusion, that even before the war its use was restricted to less than *one-half* of the population. Thus, assuming the average annual consumption of the country to be two hundred millions of pounds, and the average consumption of each person using coffee to be one-fourth of a pound a week, (a low estimate,) or thirteen (13) pounds per annum, we have, as the number of consumers of coffee, *fifteen and one-half millions*, or somewhat less than *one-half* of the entire population. Estimates, furthermore, made by authorities in New York, restrict the consumption of imported coffee to a much less proportion than the one above indicated.

A part of the large decrease in the importation of coffee during the last five years is undoubtedly due to the very general introduction and use of adulterated coffee or substitutes for coffee. The business of preparing such adulterations or substitutes, which for many years has been somewhat extensive, received a great encouragement from the extraordinary advance in the prices of coffee in the years 1863 and 1864. The principal substances made use of are the root of the chiccory, peas, and rye, burnt and ground. Of these, the two former are undoubtedly wholly innoxious, and by many the addition of chiccory to coffee is considered as effecting a marked improvement in the resulting beverage. Rye-coffee, on the other hand, is reported in some instances to have produced decidedly deleterious effects; but the truth of such reports may be doubted. It has also come to the knowledge of the commission that a favorite material for adulterating both coffee and pepper in New York and Philadelphia has been stale black bread, the surplus stock of emigrants arriving from Europe, and also condemned ship bread. This refuse material, collected on the arrival of vessels in port, or purchased with eager competition at the auction sales of condemned naval stores, and burned and crushed, is said to yield a product so closely resembling ground coffee, in color and weight, as to be exceedingly difficult of detection. Molasses boiled down, and reduced by heat to the state of *caramel*, is also largely used as a material for coloring and adulterating coffee and coffee substitutes; the headquarters of this department of the business being apparently in Philadelphia.

With the close of the war, and the decline in the price of coffee, the demand

for adulterated or cheap coffee substitutes is reported to the commission to have largely decreased; but that the consumption of these spurious articles will always be considerable, and will, to a certain extent, diminish the revenue derived from imported coffee, cannot be doubted.

The bulk of the chiccory used in the United States at present is of foreign growth, and is subjected to a duty of four cents upon the root and five cents upon the ground.

The following table shows the quantity, rates of duty, and duties received on the chiccory imported into the ports of the United States for the fiscal years ending June 30, 1862, 1863, 1864, and 1865, as returned to the commission by the Treasury Department:

Year ending—	Imports entered for consumption.	Rates of duties.	Duties received.
June 30, 1862, root, pounds .....	3, 878, 341	1 cent.....	\$38, 783 41
June 30, 1862, ground, pounds.....	3, 190, 845	2 cents.....	63, 816 90
Total, 1862, pounds.....	7, 069, 186	.....	102, 600 31
June 30, 1863, root, pounds .....	1, 785, 017	2 cents.....	37, 500 34
June 30, 1863, ground, pounds.....	3, 430, 088	3 cents.....	102, 902 64
Total, 1863, pounds.....	5, 215, 105	.....	140, 402 98
June 30, 1864, root, pounds .....	1, 380, 955	2 cents.....	27, 619 10
June 30, 1864, ground, pounds.....	4, 444, 391	3 cents.....	133, 331 73
Total, 1864, pounds.....	5, 825, 346	.....	160, 950 83
June 30, 1865, root, * pounds .....	11, 904	4 cents.....	356 80
June 30, 1865, ground, pounds.....	1, 675, 113	5 cents.....	83, 755 65
Total, 1865, pounds.....	1, 687, 017	.....	84, 112 45

The price of chiccory root (foreign growth) before the war was two and three-eighths cents per pound. The present price, duty paid, (December, 1865,) is nine cents (currency.)

The increase of the rate of duty on foreign-grown chiccory since 1861, from *one* and *two* cents to *four* and *five* cents per pound, has naturally had its effect to stimulate and encourage the growth of this article in the United States, especially in some of the western States, and the quantity annually produced is reported as already very considerable. As the only use which can be made of chiccory is the adulteration of coffee, and as every pound so used diminishes to the same extent the consumption of coffee, and, consequently, the revenue (American chiccory being at present untaxed,) it would seem necessary, in order to make the duty on coffee wholly effectual, that some excise should be imposed, not only upon the production and use of this home-grown material for adulterating coffee, but also upon the preparation and sale of *all* spurious and adulterated coffee.

In Great Britain the preparation and sale of coffee, adulterated other than with chiccory, is forbidden by statute, and the enforcement of the law is made a part of the duty of the officers of the inland revenue. In the United States a measure of so restrictive a character would not probably be deemed advisable; but, in legislating on the subject, it should be borne in mind that if there is any class of individuals whose interests the government can afford to disregard, it is

\* Re-exported 2,984 pounds.

certainly those whose profits in business are based upon the sale to the public of spurious and adulterated articles in the place of those which are pure and genuine.

The commission, therefore, recommend, as an experimental measure, that a license fee of fifty dollars (\$50) be required of each and every person cultivating chicory for sale; and that a license fee of one hundred dollars (\$100) be also levied and collected from all persons, firms, or corporations engaged in the preparation or manufacture of adulterated coffee, or in the preparation or manufacture of substances other than coffee, to be sold under the name of or as substitutes for coffee.

They would also recommend that the existing excise of one cent per pound on ground coffee be repealed, and that an excise of two cents per pound be imposed upon all ground coffee manufactured for sale, and upon all substances other than coffee, manufactured for sale under the name of or as substitutes for coffee; and that such excise be collected by means of stamps affixed to the packages in which such preparations are sold. Were excise duties on adulterated coffee, or substitutes for coffee, advanced to a still higher figure, the sale of such spurious articles would not probably be appreciably restricted, owing to the much greater value and cost of the coffee which they imitate or represent, and to the price of which such adulterations are made to approximate. The imposition of some excise would, however, to some extent, diminish the premium or fraud afforded by the greatly increased cost of coffee.

The following table shows the revenue which has been derived from the excise on ground coffee and coffee substitutes for the fiscal years ending June 30, 1863, 1864, and 1865:

	Rev. received. (Currency.)
Fiscal year ending June 30, 1863, (rate of excise 3 mills).....	\$58,846 01
" " " 30, 1864, " " .....	80,198 81
From June 30, 1864, to March 31, 1865, (rate of excise 3 mills) }	
From March 31, 1865, to June 30, 1865, { " 1 cent )	284,069 96

The experience of Great Britain, in respect to the use of chicory for the adulteration of coffee, has been as follows :

In the original act imposing a duty on foreign-grown chicory, no reference whatever was made to the home-grown product, it being regarded as too inconsiderable in amount to merit attention. The duty on foreign chicory, however, so rapidly promoted the cultivation of the plant in Great Britain, and to such an extent affected the revenue derived from imported coffee, that, in 1861, an excise, by act of Parliament, was imposed of 8s. 6d. per cwt. on all British chicory. This rate was further increased, in 1862, to 11s.; in 1863, to £1 1s. 9d.; and in 1864, to £1 4s. 3d., or equal to about five (5) cents per pound (our present duty;) thereby making nearly a complete equalization as respects the duties on coffee and foreign and home-grown chicory. This large and rapid increase in the rates imposed on chicory appears to have little or no effect in restricting its production or consumption.

The quantity of domestic chicory assessed for duty in Great Britain, in 1864, was 1,233,972 pounds, yielding a revenue of about \$52,000; while the quantity of foreign chicory imported was returned for 1864 at 11,151,168 pounds, yielding customs revenue of £129,104, (\$645,520,) as compared with a revenue of £64,220 (\$321,100) in 1863.

One effect, however, of the additional duties imposed on domestic chicory in Great Britain, as reported by the commissioners of inland revenue, has been to cause the adulteration of chicory itself with cheaper materials—as roasted peas, mustard seed, husks, &c.—and for this fraud the arrest and punishment of persons is noticed in the report of the commissioners for 1864.

*The experience of Great Britain in respect to the duties on the importation*

of coffee is also pertinent to this subject. In 1807 the duty on coffee imported into Great Britain was one shilling and eight pence per pound; and the quantity entered for home consumption amounted to 1,170,000 pounds, yielding a revenue of \$806,000, (£161,245.) In 1808 the duty was reduced from one shilling and eight pence to seven pence; and in 1809 the annual importation for home consumption had increased to upwards of nine millions of pounds, yielding, notwithstanding the reduction of duty, a revenue of \$1,229,000, (£245,800.) Ten years later, in 1819, the duty having been raised from seven pence to one shilling a pound, the quantity entered for home consumption, in 1820, fell to six million eight hundred and sixty-nine thousand (6,869,000) pounds, yielding a revenue of \$1,701,000, (£340,223.) In 1824, the duty on West India coffee being again reduced, the quantity entered for consumption largely increased; and in 1830, the annual import was returned at twenty-one million eight hundred and forty thousand (21,840,000) pounds, producing a net revenue of \$2,790,000, (£558,000.) In 1839, the duty on British coffee was still further reduced to four and one-fifth pence (or eight and two-fifth cents) per pound; and in 1847, the consumption was returned at \$37,441,000 pounds per annum. At this time the introduction and use of chiccory as a substitute for coffee began to seriously affect the annual importations; so much so that, in 1850, the annual amount returned for consumption was only 31,166,000 pounds. In 1851, the duties on coffee were still further reduced in Great Britain to three pence (six cents) a pound, which rate is still in force. The consumption of coffee, however, in Great Britain, owing, probably to the increased use of chiccory, does not increase even with an increase of population; the total importations entered for home consumption in 1864 being only 31,591,122 pounds, as compared with 36,983,000 pounds in 1853; while the duty collected from imposts on coffee was £17,433 less in 1864 than in the preceding year 1863. The importation of cocoa into Great Britain also exhibits a similar reduction.

It is also interesting to note, in this connexion, the great disparity in the amount of coffee consumed per annum in Great Britain and the United States, the population of the two countries being nearly the same. Thus the present demand for consumption in the former country is about sixteen thousand tons; and in the latter sixty thousand tons, or an average of ninety thousand tons for the ten years preceding 1861, equal to about 200,000,000 pounds.

In order to further aid in estimating the future relation of the article of coffee to the commerce and revenue of the United States, the following data are submitted.

The total amount of coffee annually supplied to the world by various coffee-producing countries, from 1856 to 1864, inclusive, is estimated as follows:

	Tons.
Calendar year 1856 .....	301, 680
" 1857 .....	316, 940
" 1858 .....	314, 880
" 1859 .....	326, 300
" 1860 .....	351, 570
" 1861 .....	339, 100
" 1862 .....	283, 810
" 1863 .....	310, 070
" 1864 .....	272, 390

Annual average product 313,000 tons, or 701,120,000 pounds, (2,240 pounds to the ton, the custom-house standard.)

The average annual production of the various coffee-producing countries during the period above mentioned was as follows:

	Tons.
Brazil .....	151, 730
Java and Sumatra .....	61, 370
Ceylon .....	29, 860
St Domingo .....	23, 210

## Venezuela:

Maracaiho .....	}	15, 870
Laguayra .....		
Porto Cabello .....		
Cuba .....		5, 670
Porto Rico .....		5, 780
Jamaica .....		2, 010
Dutch and French West India islands .....		1, 000
New Grenada and Guatemala .....		900
Costa Rica .....		4, 900
Africa and Arabia .....		2, 360
Bombay, Madras, and the Malabar coast .....		5, 000
Singapore and Macassar .....		1, 970
Manilla .....		1, 370

giving, as above stated, an average yield of the principal producing countries of 313,000 tons for the years 1856-'64, inclusive.

The amount of coffee available for export from all coffee-producing countries for the crop-year ending June 30, 1866, is estimated by Mr. H. E. Moring, of New York, the best recognized authority on this subject in the United States, at 294, 000 tons, distributed as follows:

Producing countries.	Tons.	Per cent.	Average last 3 years.
Brazil..... 1,900,000 bags at 160 lbs..	135,700	46	124,360
Java and Sumatra..... 800,000 piculs at 130 lbs..	46,500	16	56,127
Ceylon..... 750,000 cwts. at 112 lbs..	37,500	13	33,687
St. Domingo..... 400,000 bags at 130 lbs..	23,300	8	23,210
Venezuela, New Grenada, and Costa Rica..... 450,000 bags at 110 lbs..	22,000	7½	22,943
Cuba, Porto Rico, Jamaica, and West India islands .....	16,000	5	15,553
Manilla, Singapore, Malabar coast, Bombay, Madras, Africa, and Arabia .....	13,000	4½	12,890
Total.....	294,000	100	288,760

The demand for consumption of coffee in all non-producing countries for the year ending June 30, 1866, is also estimated by the same authority at three hundred thousand tons, distributed as follows:

	Tons.	Per cent.
German Zoll Verein .....	66,000	22
United States* (includ ng the Pacific coast).....	60,000	20
Holland and Belgium.....	43,000	14½
France.....	32,000	10½
Austria.....	24,000	8
Switzerland, Italy, Turkey and Southern Europe.....	22,000	7½
Prussia, Sweden, and Demark .....	22,000	7½
Great Britain.....	16,000	5½
Australia, Cape of Good Hope, South America, Canada, &c. ....	15,000	5
Totals .....	300,000	100

\* The estimated sources of supply to the United States for the fiscal year ending June 30, 1866, are as follows:

From Brazil 716,800 bags, @ 160 lbs., or .....	51,200 tons.
From Java, Venezuela, St. Domingo, &c., 160,000 bags, @ 125 lbs..	8,900 "
Total .....	60,100 "

Assuming the above estimates to be correct, it follows that the total demand for coffee for the present year is likely to exceed the total supply by about six thousand tons. "Few articles," says McCulloch, "exhibit such variations, not only of consumption, but also of growth and price, as coffee. These are occasioned partially by changes of commercial regulations and duties, and partially also by the circumstance that the coffee-plant requires four or five years before it comes into bearing; so that the supply is neither suddenly increased when the demand increases, nor diminished when the demand falls off."

The cultivation of the coffee-plant is necessarily confined to a narrow tropical belt, beyond which its culture cannot be profitably pursued. Its production in the climates suitable for its growth seems to have been already stimulated to nearly if not its utmost extent. In Java and the East Indies generally the quantity gathered increases very slowly, if at all; indeed, in some parts of the east, we understand that the cultivation of the plant has in many instances been abandoned for that of the sugar-cane; the latter being considered as much the surest and most profitable crop. At present the only countries which are increasing their annual exports of coffee to any considerable extent are Venezuela and the island of Ceylon; the exports from the latter showing an annual increase of about three thousand tons. In Brazil, the largest by far of all the coffee-producing countries, the amount exported has largely decreased since 1861, and the present prospect of an increase of the crop is not flattering. We submit, in this connexion, the following extract of a recent letter on this subject, submitted to the commission, from one of the leading factors in Rio de Janeiro:

"The manner in which the economy of the coffee plantations of Brazil is conducted is as follows: the virgin forest, of which a good deal still belongs to each plantation, is burned down, and the young plantations made upon the rich soil thus gained begin to give a fair yield in the fourth year, and last about twenty years. At the expiration of that period the coffee-trees are too old to yield a crop, and are abandoned. Thus the heaviest work of a Brazilian coffee plantation consists in clearing the forest and in making new plantations to take the place of the old ones which have become exhausted.

"In 1848 there were plenty of laborers in Brazil for all purposes, and the coffee plantations were in the most prosperous and productive condition. Since then the importation of negroes (slaves) into Brazil has entirely ceased, and the cost of slaves is three or four times as great as it formerly was. The consequence is, that the price of labor has also greatly increased, while the mortality of the slaves—who were mostly newly imported and not accustomed to the climate and hard labor—is always excessive.

"As, furthermore, it had always been found more advantageous to import male rather than female slaves, the deaths among the black population since 1848 have uniformly been largely in excess of the births. The laboring classes of Brazil, which are mainly slaves, are, therefore, rapidly diminishing in number; and the lack of a supply of labor began to be sensibly felt by the planters as far back as 1854 and 1855.

"The labor at present available is probably sufficient to keep the existing plantations in order, and to gather the crops, but it is beyond a doubt insufficient to perform the work necessary to the formation of the new plantations which are requisite to maintain the present average annual production of coffee. In 1848 a very large number of new plantations were formed, which since then have gradually yielded an abundant crop, while the old ones, also, only gradually ceased to be productive, so that the crop really continued to augment until about 1860. Since that period the amount of coffee produced has gradually diminished. This decrease was at first attributed to temporary causes, but is now acknowledged to be due to a lack of a supply of labor. We are, therefore, convinced that the Brazilian crop will not reach for many years so high a figure

as formerly, and that two millions of bags, equal to 143,000 tons, would be the outside which could be produced in this province (Rio de Janeiro) in a very abundant crop. The crop of the present year, 1865, will probably not reach this figure, and we are of the opinion that not more than sixteen or seventeen hundred thousand bags will be exported from this port during the next crop-year, 1st July, 1865, to 30th June, 1866."

From the above statements and the accompanying letter, it seems evident that, irrespective of any contingencies pertaining to the present year, the coffee trade has reached a point where the demand for consumption is largely (and for a considerable time is likely to be) in excess of the supply; and if it be also considered, in this connexion, that the consumption of coffee in Europe has been increasing for the last fifteen years at an average annual rate of over three per cent., and that the average annual rate of increase of consumption in the United States for the ten years prior to 1859 was about two per cent., the conclusion is irresistible that the price of coffee will continue to advance until it has reached a point sufficient to check consumption, and thus equalize the supply and demand for this commodity. By some authorities the opinion is entertained that this check to consumption will not be given until the price of coffee assimilates closely to that of tea. How far such an anticipated increase in the price of coffee may effect its consumption in the United States, and consequently the revenue to be derived from its importation, time and experience alone can determine.

Respectfully submitted for the commission.

DAVID A. WELLS, *Chairman.*

Hon. HUGH McCULLOCH,  
*Secretary of the Treasury.*

### SPECIAL REPORT No. 3.

*Report of the United States revenue commission on cotton as a source of national revenue.*

TREASURY DEPARTMENT,

*Office of the United States Revenue Commission, January, 1866.*

SIR: The consideration of cotton as a source of national revenue, merely, involves a discussion on the part of the commission of the following points:

1st. Can a tax be imposed upon the cotton product of the United States, thereby enhancing its cost to the consumer, without detriment to the national interests, present and prospective; and if so, what rates of taxation are expedient?

2d. Admitting the expediency of imposing a tax on American cotton, in what manner can such tax be best levied and collected?

3d. Assuming the imposition of the tax, shall a drawback on the export of American manufactured cotton be allowed; and if so, to what extent, and under what conditions?

1st. Can a tax be imposed upon the cotton product of the United States, thereby enhancing its cost to the consumer, without detriment to the national interests, present and prospective; and if so, what rates of taxation are expedient?

A discussion of the foregoing proposition would seem to require, on the part of the commission, a statement and review of the cotton production of the United

States, and its relation to the manufacturing industry of this country and Europe *prior* to the commencement of the rebellion, in 1861; a review of the cotton product of the world, and the state of the cotton manufacturing industry *since* that period; and, finally, an estimate from the above and other data respecting the future. This we propose to give in the order as above stated.

Notwithstanding the increase in the successive crops of cotton from 1845 to 1859 and 1860, there was, with some fluctuations, a gradual increase in the price until, and including, the sales of the year 1861; and although the crop of 1860 probably amounted to a surplus for the time being, the short crop of 1861 would have again, in the ordinary course of trade, restored the price to the average level of the preceding five or six years.

*The following table exhibits the comparative crop of cotton produced in the United States for various years, from 1825 to 1861.\**

Years.	Bales.	Years.	Bales.
1825-'26.....	720,027	1851-'52.....	3,015,029
1826-'27.....	957,281	1852-'53.....	3,262,882
1830-'31.....	1,038,848	1853-'54.....	2,930,027
1835-'36.....	1,360,725	1854-'55.....	2,847,339
1839-'40.....	2,177,835	1855-'56.....	3,527,845
1840-'41.....	1,634,945	1856-'57.....	2,939,519
1842-'43.....	2,378,875	1857-'58.....	3,113,962
1844-'45.....	2,394,503	1858-'59.....	3,851,481
1846-'47.....	1,778,651	1859-'60.....	4,675,770
1850-'51.....	2,355,257	1860-'61.....	3,656,086†

The total production for thirty-six years amounted to 71,619,716, and the average yearly crop during that period 1,989,436 bales.

The demand for cotton for manufacturing purposes in the United States in 1860 was estimated at about 400,000,000 of pounds.

The demand for the manufacturing industry of England for the same year was 2,523,200 bales, of an average weight of about four hundred and thirty pounds each, or 1,083,600,000 pounds. For the continent of Europe the same year the demand for consumption was 713,813,000 pounds, making the total consumption of the United States and Europe, for the year 1860, 2,197,400,000 pounds, or about 5,110,000 American bales, of four hundred and thirty pounds each. The product of American cotton for that same year was 4,675,770 bales.

The proportion of American cotton consumed by the manufacturing industry of the world during 1860 was as follows: In England *eighty-seven and a half per cent.*; upon the continent of Europe about *seventy-five per cent.*; and in the United States *one hundred per cent.* In the same year American cotton comprised a little less than *seven-eighths* of the consumption of Europe and the United States. Of the remaining *eighth*, about *three-fifths* were supplied from the East Indies, and the balance from South America (Brazil) and Egypt.

\* These crops are given at the actual number of bales, and their commercial weight; not at the estimated census weight of exactly four hundred pounds each.

† Average yearly production in the five years from 1825-'26 to 1829-'30, 850,432 bales; in the ten years from 1830-'31 to 1839-'40, 1,368,000 bales; in the ten years from 1840-'41 to 1849-'50, 2,117,443 bales; in the ten years from 1850-'51, 3,251,312 bales; and in the year 1860-'61 the crop was 3,656,086 bales.



*The following table exhibits the amount of cotton consumed in the United States from 1847 to 1861, inclusive.*

Years.	Consumed in the United States.	Foreign export and stock on hand.	Total crop.
	<i>Bales.</i>	<i>Bales.</i>	<i>Bales.</i>
1847-'48.....	616,044	1,731,590	2,347,634
1848-'49.....	642,485	2,086,111	2,728,596
1849-'50.....	613,498	1,483,208	2,096,706
1850-'51.....	485,614	1,869,643	2,355,257
1851-'52.....	699,603	2,315,426	3,015,029
1852-'53.....	803,725	2,459,157	3,262,882
1853-'54.....	737,236	2,192,791	2,930,027
1854-'55.....	706,412	2,140,927	2,847,339
1855-'56.....	770,739	2,757,106	3,527,845
1856-'57.....	819,936	2,119,583	2,939,519
1857-'58.....	595,562	2,518,400	3,113,962
1858-'59.....	927,651	2,923,830	3,851,481
1859-'60.....	972,043	3,697,727	4,669,770
1860-'61.....	843,740	2,812,346	3,656,086

*The following table exhibits the average price in England of United States upland, Brazil and Pernambuco, and East India Surat cotton, from 1800 to 1865.*

Years.	United States uplands.	Brazil and Pernambuco.	East India Surat.	Years.	United States uplands.	Brazil and Pernambuco.	East India Surat.
	per lb.	per lb.	per lb.		per lb.	per lb.	per lb.
1800.....	26d.	32½d.	14d.	1848.....	4½d.	6d.	3½d.
1810.....	18½	26	15½	1849.....	5½	5½	3½
1811.....	14	20½	11½	1850.....	7½	7½	5½
1812.....	18	23	14	1851.....	5½	7½	4
1813.....	25½	29	17½	1855.....	5½	7	3½
1814.....	30	31½	21½	1856.....	6	7½	4½
1815.....	21½	31	17½	1857.....	7½	8½	5½
1820.....	11½	15½	8½	1858.....	6½	8½	4½
1824.....	8½	11½	6½	1859.....	6½	8½	4½
1825.....	11½	15½	6½	1860.....	5½	8½	4½
1826.....	6½	10½	5½	1861.....	7½	9½	5½
1830.....	6½	8½	5	1862.....	18	17½	12
1835.....	10½	14½	7½	1863.....	24	24½	19
1840.....	6½	9½	4½	1864.....	27	28	19½
1845.....	4½	6½	3	1865.....	19½	19½	15
1847.....	6½	7½	4½				

The following are the prices of "middling" cotton in New York, in cents: At the close of 1861, 37 to 38½; 1862, 67 to 67½; 1863, 81 to 82; 1864, 117 to 120; 1865, 51 to 53.

The average crop of American cotton for twenty years, to 1860 inclusive, was as follows: From 1841 to 1850, 2,117,443 bales per annum; from 1851 to 1860, 3,251,312 bales per annum. This large increase, however, was not sufficient to meet the demand, as will be proved by the following comparison of prices in Liverpool. Thus, the average price in Liverpool, from 1841 to 1845, inclusive, was 5<sup>11</sup>/<sub>100</sub> pence; from 1846 to 1855, 5<sup>4</sup>/<sub>100</sub> pence; from 1856 to 1860, 6<sup>1</sup>/<sub>100</sub>

pence; or, in other words, the excess of the price of cotton in Liverpool, in 1860, over that of 1845, was \$9 67½ per bale, equal to over \$45,000,000 per annum. This same result also appears from the following tabular statement:

The average price of American cotton in Liverpool, in 1843, '44 and '45, was 9 <sup>25</sup>/<sub>100</sub> cents. The amount of cotton imported from the United States into England from 1846 to 1860, inclusive, was as follows:

Years.	Pounds.	Price.	Excess of price.	Excess of cost.
1846 to 1849...	2, 001, 301, 222	10 31 cts.	1 06	\$21, 213, 792
1850 to 1855...	3, 889, 546, 040	11 62 "	2 37	92, 182, 241
1856 to 1860...	4, 336, 100, 534	12 60 "	3 35	145, 259, 367
Total.....	10, 226, 947, 796	.....	.....	258, 655, 400

In 1850, according to parliamentary returns, there were in Great Britain 20,858,062 spindles employed upon cotton. In 1860, early in the year, there were 32,460,026 spindles, (increased to over 33,000,000 before the end of the year,) showing an increase in ten years of 11,601,964 spindles, or an average rate of increase of 20,718 spindles per week.

In 1850 the average weekly consumption of cotton in Great Britain was as follows:

	Bales.
American.....	20, 767
Brazilian .....	3, 310
Egyptian.....	1, 542
East Indian.....	3, 385
All others.....	121
Total .....	29, 125

In 1860 the average weekly consumption of cotton in Great Britain was as follows:

	Bales.
American.....	41, 094
Brazilian .....	2, 164
Egyptian.....	1, 804
East Indian.....	3, 340
All others.....	121
Total .....	48, 523

On the other hand, in the absence of a supply of American cotton in 1864, Great Britain has been able to obtain from other countries, for her own use, a quantity but little more than the annual increase in her consumption of American cotton between 1857 and 1860, when there was a full supply of American cotton.

	Pounds.
In 1860 Great Britain consumed of other sorts than American..	126, 706, 000
In 1864, under the stimulus of four prices, she only consumed of other sorts than American.....	491, 147, 470
Difference.....	364, 441, 470

From 1857 to 1860, her annual increase in the consumption of American cotton was as follows :

	Pounds.
In 1858 over 1857, about .....	97, 000, 000
In 1859 over 1858, " .....	115, 000, 000
In 1860 over 1859, " .....	100, 000, 000
In 1860 over 1857, " .....	312, 000, 000

It is thus clear that the entire increase in the consumption of cotton by the new spindles added in England in the ten years from 1850 to 1860, was of American production.

The consumption of the United States increased, from 1850 to 1860, about sixty per cent.

There was an accumulation of cotton fabrics—due to the excessive supply of cotton—in 1860, in the markets of the world, the effect of which would have appeared in 1861 and 1862, rather than in 1860; which might have entailed large losses upon manufacturers but for the war. Since this period the stock of goods in the hands of manufacturers and traders throughout the world has been entirely exhausted.

There are no data available to the commission for estimating the supply of American cotton for 1861 and 1862. The mills north of the Potomac were mainly operated, during those two years, upon cotton laid in from the crop of 1860 and 1861. Manufacturers were induced to take this course by the knowledge—obtained early in September, 1860—that the crop known as the crop of 1861 would be a short one; and many manufacturers purchased enough to last their mills, at full speed, for one year. When the war broke out, by decreasing their consumption, and making lighter fabrics, this heavy supply was made to last for nearly two years. In 1863, the supply of cotton for the mills of the United States north of the Potomac was about 4,000 bales per week—3,500 American, and 500 Surats; and in 1864, probably about the same, being only 25 per cent. of the full capacity of the mills. It was then demonstrated that a supply of 4,000 bales per week was the absolute and imperative need of the loyal States; and when that amount of cotton could not otherwise be obtained, it was imported from Liverpool, and taken from the supply furnished to England by blockade-runners, and East India and other imports.

The consumption of cotton in Europe in 1860 was 1,797,400,000 pounds, at an average price of a little over eleven cents a pound, amounting to \$205,167,744; and of this supply, as has been stated, nearly 87½ per cent. was American. The consumption of cotton in Europe in 1864 was 928,896,810 pounds, at an average price of about 44 cents per pound, equal to \$412,304,688; and of this less than 8 per cent. was American. These statistics show that the supply of 1864 was about one-half in weight that of 1860, and at about twice the cost.

The sources from which the deficiency of American cotton was supplied can be best shown by a comparison of the consumption of England for 1860 and 1864:

	1860.	1864.
	<i>Pounds.</i>	<i>Pounds.</i>
American .....	956, 894, 000	70, 049, 340
British .....	20, 380, 500	28, 044, 000
French .....	38, 885, 500	115, 705, 000
Indian, &c. ....	1, 260, 000	9, 276, 000
Indian .....	66, 180, 000	269, 018, 820
and Japan .....	.....	49, 284, 000
East and Asia Minor .....	.....	19, 819, 650
	1, 083, 600, 000	561, 196, 810

would thus appear to be demonstrated by the above statistics—and the illustration is confirmed by all the collateral evidence that can be obtained—while cotton may be grown in various parts of the world, the United States enjoy a practical monopoly of the best cotton lands, coupled with a sufficient supply of labor to make a full crop, and while, to produce the large crop of 1860, the United States had under cultivation less than *two per cent.* of the area of the cotton States, yet, under the stimulus of *four prices*, the other parts of the world have, during the war, been unable to fill the gap caused by the cessation of the cultivation of that small part of our territory.

The American crop of 1860 was sufficient for the 50,000,000 spindles existing in Europe and America. All other cotton made that year could have been supplied with. These spindles, with their looms, bleacheries, and print-works, represented, at ten dollars per spindle, a fixed investment of \$500,000,000. Upon the spindles the crop of 1860, which, at ten cents a pound, represented a value of about \$200,000,000, was raised by the labor of a little less than a million of operatives, to a value of not less than \$500,000,000.

The crop of 1860, estimated at six bales to the hand, was raised by the labor of about 800,000 laborers, each of whom represented, in that year, a cash value of \$200; or, in the aggregate, \$960,000,000; about double the capital represented by the mills and machinery employed to spin the product of their labor. The labor of such of these former chattels, now freemen, as shall remain in the cotton-fields, supplemented by emigration from the north and from Europe, it is evident that it is within the limits of possibility for the United States soon to regain the control of the cotton market of the world which it enjoyed prior to 1860; provided we do not, by excessive taxation, discourage the growth of this industry at the south, and render permanent the rival production which has been partially developed in other countries by the events of the last few years.

We come next to the consideration of the question, what tax can be imposed upon American cotton without detriment to the national interests, present and prospective?

In view of the statements above made, and the evidence taken, (a copy of which is herewith appended to this report, and to which special attention is required, particularly to the answers to the questions relative to the expediency of the rate of taxation,) the commission would recommend, *that from and after July 1, 1866, a tax of five cents per pound be levied and collected upon all cotton raised in the United States.*

If this rate of excise is less than what it has been expected the commission would agree upon, and less than what the present circumstances might seem to some persons to warrant, it must be remembered that the cultivation of the crop for the next one or two years will be undertaken at great disadvantages. The fields, overgrown with weeds, have to be cleared; fences rebuilt; the entire equipment of cotton-gins and farm implements renewed; and a revolution accomplished in the system of labor by which cotton is to be raised hereafter. Very large numbers of inexperienced men will undertake its cultivation during the coming season; many of them must fail to succeed in any event; and the cost to the cultivators must be far above the natural cost of cotton; and if, in addition to all the obstacles which are to be overcome, a tax of more than five cents per pound were levied, (which is probably not less than sixty-five per cent. of what will prove to be the natural cost of cotton in future years; or, in other words, the cost at which cotton can be raised with results to the cultivator equal to those secured on almost any other product of agriculture,) a rapid increase in the crop, such as is desired and such as is essential to the prosperity of the country, might be impeded, and a stimulus given to the product of other countries which, in the end, would be prejudicial to American interests. On the other hand, it is believed that a tax of five cents a pound may be levied for the present, without seriously impeding cultivation in this country, and without giving any appreciable stimulus to cultivation elsewhere. On a crop of three or four million bales of cotton, which we may hope to realize within a few years provided we leave to the cultivators, in the years 1866 and 1867; all the profit we can afford to spare them as a stimulus for their future exertions, the government would derive a revenue (at \$22 per bale) of about \$22,000,000 on every million of bales sold, or of \$66,000,000 on a crop of three millions of bales, and \$88,000,000 on a crop of four millions of bales, which would be less than the crop of 1859-'60. Of this sum, if the consumption of the United States shall reach, in either of these years, the consumption of 1860, the inhabitants of the United States would pay about \$21,000,000; and it is believed that there are few taxes which can be levied which would be so slight a burden to the consumer. The consumption of cotton per head in the United States at the highest point ever attained to, has not exceeded twelve pounds. A tax of five cents per pound would therefore be an average of but sixty cents to each individual per annum.

With a crop exceeding three millions of bales per annum, it will probably be found expedient, in view of a possible excess of production throughout the world over the demand for consumption, (which high prices must limit,) to reduce a five cent *per pound* excise to a lower rate. But in any event, the commission believe they have demonstrated the practicability of drawing from cotton, without detriment to any American interest, a sufficient annual revenue to allow of the removal of taxation from many other forms and products of industry less able to bear it, and the burden of which falls wholly upon our own people, and at the same time permit of a great reduction in the expense and machinery of our revenue collection.

2d. Admitting now the expediency of imposing a tax on cotton produced within the territory of the United States, the next point for consideration which presents itself is, In what manner can the tax, as above recommended, be best levied and collected? The commission are of the opinion that it would be inexpedient and difficult to attempt to collect this tax from the producers on the plantations or farms. The majority of the producers would rarely, if ever, have funds on hand at the time of gathering the crop from which to pay the tax; and, moreover, a tax upon the raw material, collected directly of the producer, is more of a burden in its effect upon production than one collected at some more remote point nearer to the consumer. Furthermore, a tax upon cotton at the point of its production would, in the opinion of the commission

necessitate a large increase of the revenue force in the States where cotton is grown—a measure to be avoided, if possible. It would also, as it seems to the commission, be impossible to protect the government against very considerable evasions of the tax if the attempt were made to collect it of the producers. Again: it is manifestly desirable that the transit or movement of cotton throughout the territory of the United States should be left as free and unimpeded as possible; and the levying of a tax at the point of production, or at the time of its first sale, and making the excise from that time forward a lien upon the cotton, would have a tendency to check this freedom of transit and impede both trade and production. The commission have, therefore, after considerable deliberation concluded to recommend *that the tax upon the cotton consumed in the United States be levied and collected from the manufacturers, and upon the amount exported to foreign countries from the merchants at the port of export, and that no collector of customs be allowed to grant a clearance to any vessel with cotton on board, bound to a foreign port, until the owner or agent thereof has produced a certificate from the collector of internal revenue of the district in which the port is situated, that such cotton has been inspected and weighed, and that the excise tax on the same has been duly paid.* As there are but few ports in the country from which cotton would be exported, and as the entire number of establishments working cotton in 1860 was but 915,\* of which one-third, probably, consume seven-eighths of the amount used in the country, the commission believe that by this method the collection of the tax upon cotton will be simplified to the greatest possible extent, the cost of its collection reduced to the minimum, and the movement of cotton left entirely free and untrammelled. They therefore, in accordance with the law providing for their organization as a commission, report herewith the form of a bill in conformity with the above recommendations.

If the levying and the collecting of an export duty on cotton are within the jurisdiction and control of Congress, the commission would not hesitate to recommend the enactment of this measure; and in any event it seems to them desirable that Congress should not be deprived of so important a privilege in relation to the regulation of our commerce. The precedents in favor of the levying and collecting of export duties, as afforded by the example of other nations, are numerous and worthy of attention. Thus, from British India the following duties on exports are levied: On saltpetre, one rupee (worth 44½ cents in gold) per *bazar mound*, (which the commission understood to be about *eighty-two and one-eighth* pounds, which is equivalent to a duty of from fifteen to twenty-five per cent.) On rice, two annas per *bazar mound*; on linseed, three per cent. on the market value; on gunny cloth, (used largely for the baling of American cotton,) three per cent.; on gunny bags, three per cent.; on jute, three per cent.; on cotton, three per cent.; on shellac, four per cent.; on castor oil, three per cent.; and the same rate of duty on cutch, dry ginger, turmeric, twine, stick-lac, and India-rubber. Opium is a complete monopoly of the government of British India, and a heavy duty is indirectly exacted on it from all consumers. Holland has also adopted the principle of levying export duties on many of the productions of her colonies. Thus in Java the export duty on coffee shipped to the Netherlands is six per cent., but on coffee shipped to other countries the export duty is nine per cent. Sugar, the production of the Dutch colonies, pays no export duty when shipped to the Netherlands, but pays three per cent. when sent to other countries. From the production of coffee and sugar in Java, the commission understand that the Dutch government at present realizes a profit almost sufficient to pay the interest on their national debt—a debt of between four and five hundred million dollars. This large sum is not, how-

\* 472 in New England; 281 in the middle States; 19 in the western States; and 143 in the southern States.

ever, wholly derived from export duties, but arises, in part, from the system of cultivation of coffee and sugar followed in Java, by which a considerable part of the profits of these crops inures to the benefit of the government. France, at the present time, levies an export duty upon rags so large as practically to prohibit their shipment from that country. China also levies an export duty upon her teas; Portugal upon her wines; while Peru pays no small part of her expenses from the export of her *guano*.

If a constitutional amendment is necessary in order to allow Congress to exercise the privilege of laying export duties whenever it may deem the same expedient, the commission, in view of the practice of foreign nations, and the profitable results flowing therefrom, have no hesitation in recommending that such an amendment be passed as soon as practicable.

3d. In regard to the third point of the discussion, namely, the allowance of drawbacks on the export of American manufactured cottons, assuming that an excise duty be levied upon the raw material, the commission would report, *that a drawback on cotton fabrics is absolutely essential, and to the full amount of the tax upon cotton, if we would maintain any exports of cotton fabrics.* Our export of cotton cloth formerly amounted to from \$7,000,000 to \$10,000,000 in value per annum. It consisted mainly of heavy goods, made from No. 14 yarns. These goods can now be made in England, in mills which have been built or altered since the war began, for the purpose of spinning India cotton; and in such mills heavy goods can be made, with scarcely any disadvantage in production or cost of labor, from short-staple cottons. Now, if England can make these goods from untaxed cotton, and send them to India and China, they will, of course, drive out American fabrics made from cotton on which either a tax or a duty has been paid.

It is the opinion of gentlemen most conversant with this business, who have been consulted by the commission, that the drawback allowance on exported American cotton fabrics should be as many cents per pound on the pound of cloth exported as are assessed in the form of a tax upon the raw cotton entering into the manufacture of such cloth. The loss in manufacturing will be nearly or wholly made up by the sizing of the goods; and as the practice has extensively prevailed of late in Great Britain, and might be rapidly introduced into this country, of "stuffing" cotton cloth, as it is termed, with various materials, such as starch, silicate of soda, clay, &c., to make it weigh more than the cotton entering into its composition, (a practice which has been carried to such an extent in England as to cause buyers of cotton goods in Manchester, in some cases, to claim a chemical analysis before they accept a given lot of goods,) it is evident that some special provision of the customs must be determined upon, in order to guard against fraud, previous to an allowance of the drawback. It would seem that an oath should be required of the exporter, in all cases, that the cloth upon which a full drawback is claimed does not weigh more than the cotton from which it is made; and it would also seem advisable that an examination should be made of each parcel of goods exported, with provisions for forfeiture and fine in case of attempted fraud or evasion of the law. As, however, it is necessary, in order to compete with goods of foreign production, that a practice of "stuffing," similar to that adopted abroad, should also be possible here, with regard so certain descriptions of goods, a further provision should be made, allowing goods so manufactured to be exported, with a proportional drawback. The commission have not, however, had time to fully mature a system of regulations adapted to meet these various contingencies; but in case of the adoption of their suggestions, such regulations can be promptly framed by experienced custom-house officials.

In addition to this drawback, which is provided as an offset for the tax upon raw cotton, all cotton goods *exported from this country* should be exempted

from the payment of all other excise taxes; otherwise, no exports claiming the drawback can be made.

While some objections may possibly be raised against the allowance of these heavy drawbacks upon the ground that they will make the cost of cotton cloth considerably more to the consumer in this country than to the consumer abroad, it should be borne in mind, first, as we have demonstrated, that the tax upon the consumer here is a very light one; secondly, that by facilitating the export of cotton fabrics rather than of raw cotton, we enhance the aggregate value of our exports and thereby cheapen the cost of our imports.

The commission, furthermore, can conceive of no measure better calculated to resuscitate and build up the interests of the southern sections of our country and to diversify industry there, than one which would give to that portion of our population there located the opportunity, with little labor, of spinning coarse yarns sufficient to supply the markets of the world. It should be here stated that a very large portion of the cotton exported from Great Britain is in the form of yarns, and not of woven fabrics, and that the manufacture of yarns requires less than one-half the number of operatives that are required for the manufacture of woven fabrics.

The commission having recommended a large increase of the excise tax upon raw cotton, it becomes evident that there must be a corresponding change in the tariff upon imported cotton fabrics; the great demand of the United States being for goods within the limit, in point of number of yarns, which can be manufactured in England from untaxed "Surat" or India cotton, at very little disadvantage as compared with American cotton in point of production or cost of labor. *The commission, therefore, recommend that so long as there shall be a tax upon American raw cotton, there shall be in the tariff bill a specific duty on all imported cotton fabrics of as many cents per pound as are levied in the form of an excise tax upon the raw cotton.* The effect of this would be to check importation from England of goods "stuffed" with foreign substances, and secure us, so far as we do import cotton cloths, honestly-made goods. This duty should be understood to be simply the offset or equivalent of the tax upon American cotton, and should only be charged when such excise tax is charged. When once imposed with this understanding, other legislation in the tariff upon cotton goods may be made entirely independent of the excise tax upon raw cotton. Provision should also be made for the importation of mixed fabrics in which cotton is a component element, and it would be safe to impose a duty upon such mixed fabrics, where the proportion of cotton is one-half or less, such as cotton-warp, "*delaines*," and worsted goods, of one-half the number of cents that are imposed upon raw cotton as an excise tax, leaving all mixed fabrics which are more than one-half cotton to pay the full duty, the same as if all cotton.

The commission would ask attention, in this connexion, to evidence taken by them, (see the testimony of Mr. John A. Lowell,) which seems to establish the fact that within a comparatively recent period the Indian department of the British government, in direct opposition to what is claimed as the established policy of that nation, with a view to discourage the importation into India of American manufactured cottons, levied and collected upon them heavy discriminating duties, which duties were sufficient, prior to 1860, to almost entirely destroy that portion of the American trade with India which before that time was large and increasing.

As regards the future supply of cotton, the commission, in view of the evidence they have been able to obtain up to the date of making their report, (January 1, 1866,) are unable to present any reliable estimate of the crop for the next one or two years. It is evident that under the fortunate stimulus of very high prices, all the cotton will be planted in the year 1866 for which good seed can be found, and a crop may be made of from two millions to two millions and a half of bales. *It is, however, impossible to predict with any accuracy*



what the exact amount of that crop will be. There can be no doubt that the high price of cotton will prove one of the best, if not the best, regulator of southern society, and that from self-interest alone good order ought to prevail in the year 1867; and it is to be hoped and expected that in that year a crop more nearly approaching former figures will be realized.

During the war, as has already been shown, Europe drew her supplies, to make good the deficiency of American cotton, mainly from India, Egypt, Brazil, China, and Japan.

The export from China and Japan was abnormal. Neither of these countries produces more than is sufficient for the supply of their own necessities; and their export of cotton has now not only wholly ceased, but they are, as they have been before, importers of cotton from the East Indies.

The crop of India appears to have reached its maximum for the present, as famine prevailed in some parts of that country in 1865 from the over-planting of cotton. It must be remembered, in considering this statement, that famine may prevail in some portions of India with plenty in no very remote districts, for the reason that, as but a small part of the proceeds of the cotton reaches the producers, they cannot afford to pay the excessive cost of transportation on food that the merchant can pay on cotton. It should also be remembered that India is not a true cotton country. Her crop is from 30 to 100 pounds an acre, against 200 to 600 in the United States; it is, moreover, of an inferior variety, and it is believed that no improvement in cultivation can make it equal to the cotton of the United States.\*

Egypt is one of the most formidable rivals to the United States in the cultivation of cotton, which the events of the last four years have developed. Her crop has increased from 90,000 bales in 1859-'60, to 440,000 bales, of 500 pounds each, in 1864. But in that year so large an area of land was planted in cotton that the crop of cereals became deficient, and the planting was limited in 1865 by an edict of the Pacha to a more restricted area of country. In addition to this limit, an unfavorable season has probably reduced her crop of 1865 to 300,000 bales. But as the quality of Egyptian cotton is superior to that of the United States, except the sea island, and as emigration is being invited into her territory, it is probable that she will continue to produce a large crop of cotton, and will hold at least her present position in the markets of the world.

Turkey, Asia Minor, and other countries bordering upon the Mediterranean, have produced a considerable supply of cotton of good quality during the last four years, but it is not believed that they can maintain their position when cotton shall decline to twenty-five cents per pound in the United States. In Brazil it is not believed that cotton can maintain its position in competition with sugar and coffee, especially in view of the scarcity of labor consequent upon the cessation of the slave trade† The supplies of cotton from other sources have been too inconsiderable to need notice.

The commission have been unable, in this report, through want of time, to enter into as full a discussion of the question of the expediency of a tax upon cotton, and its probable future effect upon production at home and abroad, as they have desired, and as the information collected by them would warrant. The testimony, however, taken by them, and herewith submitted, has been carefully prepared and edited, and is believed to embody nearly every point of interest in connexion with the subject. They would especially commend its careful examination to Congress and the country.

Respectfully submitted.

For the commission :

DAVID A. WELLS, *Chairman.*

Hon. HUGH McCULLOCH, *Secretary of the Treasury.*

\* See appendix A.

† See report on coffee, submitted by the commission.

## APPENDIX A.

From one of the most recent contributions to our knowledge of the "Cotton Trade of India,"\* we derive the following extracts :

"On no point has the public opinion of England been so egregiously misled by false reports, as on the supplies of cotton to be expected from the country," (India.)

"Cotton in most parts of India is cultivated in rotation with other crops, and is seldom looked upon as the mainstay of the ryot, but only as a subordinate product. The great staple of cultivation everywhere is breadstuffs in some shape or other; and the ryot will not neglect the raising of food for the sake of cotton, however high its price may be, for in so doing he runs the risk of starvation. No surplus stocks of grain are available to meet an emergency of this kind; the internal commerce of India is still in the crudest possible shape; no such thing exists as large districts devoted to special branches of agriculture, and drawing their supplies of food from others; the rule, speaking generally, all over India, is for each locality to raise its own supplies of food, and for each separate cultivator to do the same for himself. So true is this, that if the grain crops fail in any one region, a famine ensues; and people perish by thousands even though the rest of India is unaffected. During the famine in the northwestern provinces, two years ago, half a million of people are said to have died from starvation, while in most of India the crops were not deficient; but so wretched were the means of internal communication, and so little was the trade in breadstuffs organized, that supplies could not be thrown into the famished districts in time to avert this awful calamity. It is not, then, to be wondered at that the natives are reluctant to diminish their food-crops in order to turn their land into cotton.

"Moreover, in all parts of the Bombay Presidency, food is already very scarce and dear; the moderate increase in cotton cultivation has told largely on its price, and grain is already about twice as dear as it was a few years ago."

The conclusions to which the writer, in his essay of sixty-seven pages, is led are stated as follows :

*"India is not able as a cotton-growing country to supply the place of America."*

*"Large supplies of cotton can be drawn from India only by excessive prices, and whenever prices return to a normal level, the production will recede correspondingly."*

*"No hope whatever exists of India being able to fill the void made by the stoppage of the southern trade at anything like remunerative prices to the spinner, and very little hope of her being able to provide a quality which would suitably fill the place of American cotton."*

*"If American cotton falls to tenpence (twenty cents) per pound, the cultivation of cotton in India will come to a standstill. If American cotton should ever again be grown for sevenpence (fourteen cents) per pound the swollen and artificially sustained production of cotton in India would certainly collapse, for at such prices it would not pay us a great staple crop."*

## APPENDIX B.

SELECTIONS FROM THE TESTIMONY TAKEN BY THE UNITED STATES COMMISSION IN RESPECT TO COTTON AS A SOURCE OF NATIONAL REVENUE.

OCTOBER 3, 1865.

*Testimony of William King.*

1. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is William King; I reside in Savannah, Georgia; I have been a planter almost all my life, and we owned two large factories in Georgia, which were burned by General Sherman.

2. Are you in favor of an export duty on cotton, supposing all constitutional restrictions to be removed?—I think cotton could bear an export duty, and that

\* "The Cotton Trade of India," being a series of letters written from Bombay in 1863, by Samuel Smith, London.

it would not fall much upon the producer; but I feel that it would be rather objectionable now, as it would create an argument to be used by the political demagogues of the south, to prevent us from harmonizing the present conflict of State feeling. The objection I should have to it would be political rather than pecuniary.

3. In case an excise duty was laid upon cotton, would the tax, in your opinion, fall in any degree upon the producer?—I think but a small portion would fall upon the producer. It would fall chiefly upon the purchasers, more particularly in the case of sea-island cotton, because none is produced anywhere else.

4. Do you think it would be difficult for the planter to pay the tax himself, at the time of forwarding the cotton to market?—Yes; I think it would be. Probably the easier way would be, if the tax should be determined upon, to provide that it should be paid by the purchaser, when he ships it.

5. Do you think that a tax on cotton, either in the form of an export duty or an excise duty, would be particularly objectionable to the south?—I think so.

6. Have you formed any estimate respecting the cotton crop for 1866, in the southern States?—I should not be surprised if it did not exceed a million and a half of bales, unless we organize labor. If we organize labor we may have two millions of bales. The negroes will not plant cotton.

7. What is your opinion in regard to the organization of labor?—I have two plans. In the first place, to induce emigrants going south to take small bodies of negroes, and go to work with them. They are very affectionate, and can be influenced by kindness, and induced to work by any one they believe to be their friend, when they will not work in large parties. I hope northern persons will go out there and work in that way, and they will make more money than they can at anything else. But that is a slow measure, and will take years. The negroes are dying off at an appalling extent now. I have, therefore, suggested another plan to General Howard: that the negroes shall be recognized as minors, and so treated. I think there would be as much philosophy and humanitarianism in freeing all the children of Massachusetts at fifteen years of age, and telling them they must make a living for themselves, as in turning the negroes loose. They will all die off, and be of no value to anybody. Therefore, minorship is my immediate plan. If some wise and humane system of labor should be adopted for the negro, I believe that in a year there would spring into existence at the south an energy such as we have never had before.

8. You think that the offer of wages will not, in itself, form a sufficient inducement?—The negro has no love for money.

9. What inducement, then, are you to bring to bear upon him?—The same motive that you bring to bear upon children to make them go to school.

10. Compulsion?—Compulsion.

11. Is there not a desire on the part of the negroes to get land, which will induce them to labor?—The three strong characteristics of the negro that we have got to act upon are these: the first, his affectionateness; second, his fondness for dress—an artificial want, which may make him work more than the natural wants; and the third, his fondness for his home. If he is treated with ordinary kindness he will never leave his home. The desire for a home is very strong with the negroes; but my impression is that when they get their land or home they will do but little more than what is necessary to supply present wants.

12. What has been the result of the attempt to cultivate the sea-islands by free labor?—I consider it a perfect failure.

13. What amount of cotton was raised last year on the sea-islands?—I had not a very favorable opportunity to learn, not going down to the islands, but I presume very small. In an interview with Mr. Philbrick—and he has been the most successful man I know of—he told me he had not been able to get more than three acres of labor out of a hand. (See testimony of Mr. Philbrick.)

14. What was the former amount cultivated by a hand?—Of upland cotton we can plant easily eight or ten acres, besides all our provisions; sea-island, six or seven acres easily, and provisions besides. Mr. Philbrick told me it cost over a dollar a pound to raise his cotton.

15. With your past experience, do you feel sanguine of success in the attempt to organize labor, so as to obtain a successful result another year?—Well, sir, I have been in New England over a month, and I have been very much gratified to find the feeling existing, as I do, that if it be necessary they are willing to accede to the plan of recognizing and treating the negroes as minors. If General Howard can be sustained by outside approval, he will adopt this course.

16. Could not the planter pay the tax upon cotton through the merchant? Suppose it were made a lien upon the cotton until it came into the hands of the merchant?—In some cases this has been done already.

17. You think the chief objection to a tax upon cotton is the opportunity it would give to demagogues to create dissatisfaction?—I think so.

18. The south must know that the north is heavily taxed; will not this fact reconcile the southern population to the imposition of a moderate tax upon cotton?—I am under the impression that it is so important for us to try to bring our people to a right state of feeling, that I would like to see everything that would open the wounds afresh avoided. I am sure the demagogues would use it—unjustly, however.

19. Do you think a moderate tax imposed upon cotton would have much effect in diminishing the crop of 1866?—I presume none at all.

20. What number of bales of cotton do you think were consumed at the south, during the last year of the war, in the production of home-spun goods?—I don't know; my impression is, that probably during the whole period of the war we did not consume more than half a million of bales, in every shape.

21. Where are the manufactories of the south chiefly situated?—We in Georgia had about eighty.

22. What is your estimate of the consumption of cotton south of the Potomac prior to the war?—As to that I have no statistical information; but our consumption was not very large.

23. Was it more or less during the war?—Oh, it was more.

24. How much more?—I have no idea; but I should suppose that the increase was simply in consequence of the women spinning a great deal; our factory power could not have increased, but rather decreased.

25. To what extent is the negro clothing made of cotton?—During the war we had a good deal of that, but before the war we got all the clothes for the negroes from the north.

26. Were they of cotton?—No; wool and cotton together.

27. Would a tax of five cents a pound on cotton stimulate the production of home-spun goods, supposing that these were not taxed?—I should think five cents a very heavy tax, taking prices to be what we hope they will be soon. At present prices, I shouldn't suppose it would be felt very sensibly, or make any particular change. There is very little doubt that we are to be a very large manufacturing State; Georgia will probably be one of the largest in the Union, beating Massachusetts. We have every advantage—plenty of water, cotton close at hand, and labor cheap.

28. If an excise should be laid on the raw material, and a drawback allowed on the manufactured goods—yarn, &c.—would not such a measure, on the whole, be popular in the south?—I think it might, possibly, after a while; but it would not be just now, in this state of anarchy.

29. Would not such a measure tend to develop and strengthen the manufacturing industry of the south?—I think so.

30. Suppose a tax were put on *which*, if remitted on the goods exported, would enable you to *spin yarns* and have an advantage over England equivalent

to five cents a pound, would it not stimulate that business?—I think it would; we should have Massachusetts migrating to Georgia very soon.

31. Is it the opinion at the south, generally, that they ought to become a manufacturing people?—No, sir. Heretofore, their ideas have been so perfectly absorbed with the one great thing, to make cotton, sell cotton, buy negroes, and then make more cotton, that they have never thought of anything else. Now, Georgia is called the "Yankee" State. She has a different class of people from those of any other. Georgia and Carolina have no sympathy with each other. I think our factory at the south, well managed, can make more money than any other factory in the country. I know of only one factory in Carolina that, before the war, ever paid anything.

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*Testimony of E. H. Derby.*

32. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is E. H. Derby. I reside in Boston. I have travelled, in 1857 and 1860, through all the cotton States but two; and having some leisure during those excursions, I made some pretty close observations in regard to the culture of cotton. I have had some acquaintance with the manufacturing business during the last thirty years.

33. If a moderate tax or export duty should be imposed on cotton, on whom would it fall—the producer or the consumer?—Chiefly on the consumer, and eventually entirely on him.

34. What amount of cotton was required in 1860 to meet the demands of the manufacturing industry of the United States and Europe? What proportion of this demand was supplied by the product of the United States?—In 1860, the consumption of Great Britain, the continent, and the United States, according to the best data I can obtain, was 2,200,000,000 pounds. The United States supplied of this, 2,155,000,000 pounds; the rest of the world, 273,000,000 pounds; making an aggregate of 2,428,000,000 pounds—an excess of 173,000,000 pounds in the supply over the consumption of that year. I give the returns in millions of pounds because the bales vary. I will give the variation of the bale. The United States bale, in 1860, or before the war, averaged 443 pounds; the East India bale, 387 pounds; the Egyptian bale, 313 pounds; the Brazilian bale, 180. Before the war, the average weight of the bale in England was 420 pounds. It is now reduced to 357 pounds. The reduction is about eighteen per cent., and is due to the preponderance of the small bales of eastern cotton which have come instead of the American. It has been much below that, but has been growing gradually larger.

35. What were the average prices of American and foreign cotton for 1860, at New York and Liverpool?—I am unable to give the average for the year, but I will give the prices in July, which is the middle of the year. The prices at Liverpool, England, in July, 1860, were: Upland, middling, 11 cents; New Orleans, 11½; Brazil, 15; Egyptian, 15½; Surat, 6½. In New York, at the same time, the upland cotton was only a quarter of a cent less, and the New Orleans cotton was only half a cent less.

36. What was the average percentage increase of the consumption of cotton in the United States and Europe, for the ten years prior to 1860; and what for the three years intervening from 1857 to 1860?—The increase of consumption in the United States and Europe was about 95 per cent. from 1850 to 1860, or 9½ per cent. per annum; but from 1857 to 1860 (three years) it was 42 per cent.; increasing much more rapidly during the last three years. In further answer, I would say that, in 1850, the consumption was about 1,150,000,000

pounds; in 1857, 1,590,000,000 pounds; in 1860, 2,200,000,000 pounds; and in 1864, it had fallen to 1,088,000,000 pounds.

37. What was the average percentage increase in the supply of cotton, during the same period?—The increase of production in the United States was more rapid than the increase of consumption. The increase of production in the United States, from 1850 to 1860, was about 120 per cent., or 12 per cent. per annum, viz: from 978,000,000 pounds to 2,155,000,000; or, in bales, from 2,445,793 bales up to 5,387,000 bales; the bales rated at 400 pounds, under the census. Between 1850 and 1860 the supply from foreign ports to Great Britain, which was the chief importer and distributor, increased from 53 per cent., or 5½ per cent. per annum, against 12 per cent. in the United States. The increase of importation from foreign ports into Great Britain was from 176,000,000 pounds in 1850, to 273,000,000 pounds in 1860—increase, 97,000,000 pounds. Against this, the increase in the United States production was 1,177,000,000 pounds—twelve times as much. I am unable to give the products of the east any further than it is indicated by the shipments between 1850 and 1860; but the increase of the whole supply was, in round numbers, at the rate of 11 per cent. per annum, while the increase of consumption was at the rate of 9½ per cent. per annum. The supply had gained on the consumption 15 per cent., or 175,000,000 pounds between 1850 and 1860—equal to about 400,000 American bales; thus stimulating the consumption.

38. And tending to lower rates?—Yes, sir; it stimulated consumption, and increased the supply of goods, and hence tended to lower the rates both of goods and cotton. There was an over-production of cotton, in my opinion.

39. What was the respective consumption in Great Britain, on the continent, and in the United States, of cotton, in 1860? From what sources were the supplies derived?—From the London "Economist," I have the fact that, in 1860, the consumption of Great Britain was 1,083,000,000 pounds; of the continent, 717,000,000; my estimate for the United States is 400,000,000 pounds—aggregate, 2,200,000,000 pounds. This supply was furnished as follows: United States, 2,155,000,000 pounds; East Indies, 203,000,000 pounds; Egypt, 44,000,000 pounds; Brazil, 17,000,000 pounds; other countries, 9,000,000 pounds—making an aggregate of 2,428,000,000 pounds.

40. Was there any accumulation of cotton cloth in 1860? Have the stocks of cotton goods in the hands of traders and consumers in all parts of the world been diminished during the war? and if there be any deficiency, what demand for goods may be expected for some years to come?—There was a large accumulation both of cotton and cloth in 1860, from over-production, and a tendency to great losses. The supply has been exhausted by the war. Stocks are low, both in stores and families; and there is a good demand, and a prospect that it will continue.

41. At what rate per pound and per yard are manufactures of cotton, namely, shirting, sheeting, and cloths, now sold in Boston or New York? and at what rate were they sold in those cities between 1857 and 1860, prior to the war?—From inquiries that I have made, it appears that cotton cloth now rules from about \$1 10 to about \$1 40 per pound. Before the war, it sold at less than one-third of these rates.

42. Do the taxes of six per cent. on sales, the taxes on coal, starch, iron, transportation, and other things connected with the manufacture, increase the cost of the finished product? and if so, to what extent? What is the cost of making and delivering from the mill to the consumer a pound of cotton cloth now, and what was it in 1860? What has carried the cost of cotton goods to their present height? Give the items, what wages were paid in 1860 in the cotton manufacture, and what are paid now?—The cost of manufacture, as I am informed, now ranges (including the cotton) from ninety cents to a dollar per pound. This is due in part to the advance in the price of cotton; something is

due to the waste of the more costly article; and I ascribe the residue to the increased taxes on coal, iron, starch, transportation, and other things, and the change in the currency. The cost of making the cloth is very much more than it was before the war, owing to the rise of labor, and these other causes.

43. What amount of cotton was made available for the manufacturing consumption of the United States and Europe in 1863?—In 1863, it was less than half the quantity available in 1860. In 1850, the quantity which was furnished from foreign ports was as follows: East Indies, 116,000,000\* pounds; Egypt, 25,000,000 pounds; Brazil and other countries, 35,000,000 pounds; total, 176,000,000 pounds. In 1860, the supply was as follows: East Indies, 203,000,000 pounds; Egypt, 46,000,000 pounds; China, Japan, and Brazil, 17,000,000 pounds; other countries, 9,000,000 pounds; total, 273,000,000 pounds. In 1864: East Indies, 512,000,000 pounds; Egypt, 128,000,000 pounds; Brazil, 38,000,000 pounds; China and Japan, 95,000,000 pounds; other countries, 32,000,000 pounds. Showing an increase over 1860, from the East Indies, of 309,000,000 pounds; from Egypt, of 84,000,000 pounds; from Brazil, of 21,000,000 pounds; and from other countries, of 118,000,000 pounds. The aggregate of the amounts furnished in 1864 is 805,000,000 pounds; the increase is 532,000,000 pounds.

44. Making less than half the supply of 1860?—Yes, sir.

45. What has been the respective increase in the supply of foreign cotton, under the stimulus of high prices, from 1860 to 1865, inclusive?—The aggregate increase, as I have said, appears to be 532,000,000 pounds in 1864 over 1860. From 1857 to 1860 the increase in consumption was about 603,000,000 pounds, or 201,000,000 pounds a year. In the four years from 1860 to 1864 the whole increase of foreign supplies of cotton from the entire world was 532,000,000 pounds; or at the rate of 133,000,000 pounds a year, against an increased consumption of 201,000,000 pounds a year the three years before the war. That is to say, that during the war the increase of the supply from foreign ports into England is 133,000,000 pounds a year, while the increase of consumption was 201,000,000 pounds a year for the three years before the war. The whole increased supply from the world is not equal to the increase of the consumption the three years before the war. I take the English receipts, including the London. I am unable to give the amount of foreign cotton imported into France; but so far as I have been able to ascertain, the supply was a very limited one. Of this increase 95,000,000 pounds were from Japan and China. The shipments from Japan and China fell off and came apparently to a stop in May last. When cotton went down in England from 58 and 60 cents to 28 cents for a time, and then rallied, I noticed that the fact was stated in the English journals that the shipment of cotton from Japan and China was stopped. A great shock was given to the export from Bombay, and I notice that now there is an exportation of cotton from Bombay to China. I apprehend that very little cotton is on its way from Japan and China to England, which is due in part to the exhaustion of goods in those countries, and partly to the fall in price. I consider this increase from China and Japan as unreliable in the future. Given a scarcity of labor in England, as is now probable, and the Japan and China cotton would be hardly capable of use. It is so short that when there is a scarcity of labor the hands will quit a mill working China and Japan cotton and go into a mill working the longer staple. With high prices for labor in England, little or no China or Japan cotton will be used. I consider the 84,000,000 increase from Egypt as more reliable, as also the 21,000,000 from Brazil, making 105,000,000 pounds, which would seem to be a reliable increase. Of the East India increase, 309,000,000 pounds, being inferior in quality, I consider it equal only to about 175,000,000 pounds of American cotton, and a part of that will now go to China with the fall in prices. I don't think that more than 150,000,000 pounds of the East India increase is reliable; making an entire increase, that seems reliable, equivalent to 250,000,000 pounds of

American cotton, about one-half of the whole increase. This increase of 250,000,000 pounds is equal to only about one-ninth of the American cotton of 1860.

46. What have been the average prices of American and foreign cotton at Liverpool since July 1, 1865?

*Prices of middling cotton at Liverpool.*

For—	Sea-island.	Upland.	N. Orleans.	Egypt.	Surat.	China.
July, 1850.....		15 c.				
July, 1864.....	88 c.	63	64 c.	58 c.	38 c.	33 c.
May, 1865.....	68	28	29	24	15	15
July, 1865.....	68	39	40	32	22	20
Sept., 1865.....		37	38	31	20	20

[In reply to a question from the chairman, Mr. Edward Atkinson stated that he attributed the falling off in the price of Egyptian cotton from that of New Orleans to the fact that it is not available without an alteration of the machinery. It is too long to use on the machinery adapted to the ordinary staple of this country; and the great demand is for the goods that can be made of the ordinary staple of this country.]

47. What advantages, if any, do the United States enjoy over other countries, for the production of cotton, in respect to soil, climate, seasons, or position, as compared with India, Egypt, China, Japan, Algiers, and other cotton-growing countries?—The great advantages the United States possesses over other countries are shown by the increase of 120,000,000 pounds from 1850 to 1860, or 120 per cent.—a ratio of increase more than double that of other countries. The advantages over other countries that I understand the United States to possess are found in the climate—having the dry weather and the wet periods at the proper seasons; in the soil, which is favorable to it; in the length of the season, which is favorable. Other advantages consist in the natural river navigation, in the railroad communication, and the facilities of shipment to Europe over India and China, more remote countries. In regard to the advantages and disadvantages of European countries, I will say that, in Algiers, I have noticed that the rain comes about the time the cotton is to be gathered, and injures it in the boll. But these rains are very favorable to wheat, and Algiers used to be one of the granaries of the Roman empire, and I think it will be of Europe. With regard to Egypt, the soil and climate there are well adapted to the raising of cotton, but I have it from St. Hilaire, of the French academy, that four crops of corn can be raised in Egypt, from the same field, in one year; and I have come to the conclusion, from what I have heard, that Egypt will be rather the granary for Europe than a place to supply cotton. The cotton culture there is due to the stimulus of the extreme prices that have prevailed the last four years. I understand labor to be rising in Egypt—there is a scarcity. In regard to the East Indies, the climate is too dry. I think the increase there would be due more to irrigation, and improvements of that character, which are very slow, than to any natural growth. I do not look to any large increase from India, but to a gradual increase, from the introduction of English capital and improvements of the soil by irrigation. With regard to Brazil and the West Indies, there they prefer coffee and sugar to cotton, at ordinary prices, or even at prices higher than the present. For a period of years I think the production tended downward in Brazil, and the increase has not been large for many years.

48. How far have the United States reason to fear the rivalry of those



countries, in case the price of cotton should not fall below twenty-five cents per pound in the seaports of the United States, for several years to come?—I think, with such prices, we might anticipate an increase of from 20 to 40,000,000 pounds a year, in place of the 9,500,000 between 1850 and 1860. I think our progress would be six or eight times as great with that inducement of high prices.

49. With the price of cotton ranging from twenty-five to forty cents per pound, what amount, in your opinion, will be required to meet the present annual demand for consumption in Europe and in the United States?—I must enter into the region of estimate and conjecture here. With cotton at 38 or 40 cents per pound, I should estimate that the consumption would not be far from 75 per cent. of what it was in 1860. Last year the consumption was about one-half. I believe the consumption would go up to, perhaps, 75 per cent., supposing the price to remain at 38 or 40 cents a pound. Assuming the consumption of 1860 to have been 2,200,000,000 pounds, I should say that the consumption, with the price at 38 or 40 cents per pound, would be 1,600,000,000; of which the east will furnish 700,000,000, leaving 900,000,000 for the United States. This would require, in this country, a supply of 40,000 bales a week. If a fall should take place, and cotton go down to 30 cents, I should conclude that the consumption would be increased, and should add 10,000 bales a week to the consumption, which would give a demand for 2,600,000 bales at that price here. If the price should drop to twenty-five cents, I should estimate the consumption of cotton produced in this country at from three to four millions of bales; and four years hence a still larger supply would be required by the wants of the world.

50. At present prices, what proportion of this demand can be supplied by other than American cotton?—Varying with the price, from 7-16ths to 3-10ths.

51. How do foreign cottons compare with American, as regards quality and economy in manufacture?—The Brazilian and Egyptian are superior. They are now quoted at lower prices in the English markets, for reasons stated above. The India, China, and Japan cotton is worth little more than half the price of American cotton. I rate a pound of American cotton as equivalent to a pound and three-quarters of East India, Japan, or China cotton. My opinion is based on price currents, not on the manufacture.

52. If middling cottons should average from twenty-two to twenty-eight cents in New York, from September, 1866, to September, 1868, and be in fair supply, what increase of importation, if any, should you anticipate from Japan, China, Egypt, and Brazil, into Europe, as compared with the importations from those countries in 1864?—I should anticipate no increase. There would be a falling off from Japan and China and the East Indies, I think, which would exceed any increase from other points.

53. You think there would be no increase from Egypt and Brazil?—No, sir; I should anticipate none.

54. With cotton remaining at twenty-five cents per pound, what, in your opinion, is likely to be the annual increase in the demand for consumption in the next five years?—I think that the consumption would require from this country two and a half millions bales in 1866; three and a half millions in 1867; and four and a half millions in 1868.

55. Are you in favor of an export duty on cotton, supposing all constitutional restrictions to be removed?—I am in favor of it, sir. I think there should be an export duty or a tax, not only upon cotton, but upon tobacco, petroleum, naval stores, and some other products. I would apply it to those articles which I thought the interests of the country required, irrespective of the locality, whether north or south. I think those duties will fall, practically, upon the consumers, and that any little excitement that may spring from politicians is not to be weighed in comparison with the great interests of the country.

56. What amount of export duty can, in your opinion, be imposed upon cotton without detriment to the interests of the country?—My estimate has been that a duty as high as seven or eight cents on the upland cotton, and of sixteen cents on the sea-island, might be imposed. I look to much higher prices than have prevailed in former years, when there was over-production. I will add, as explanatory, that I think that, with those duties, the price will be sufficiently high to give to the producer more than double what he had before.

57. In default of an export duty, are you in favor of an excise tax on cotton?—I am, sir.

58. What amount of excise would you recommend per pound, and what discrimination would you make in the excise as regards cotton of different qualities?—I consider an excise tax preferable, on the whole, to an export duty. I would say that one of the reasons why I am in favor of a tax of this character is, because I think the country may be relieved from very much more onerous taxes if we introduce a tax on cotton. Let there be a tax upon cotton and tobacco and liquors, as taxes upon luxuries or vices, as substitutes for some other taxes that now check our progress as a republic. It will bear upon foreign nations. It may be levied, in part, upon England and France. I would levy a tax upon the sea-island twice that upon the upland. The south imposed such a tax as I have proposed, only much larger, during the insurrection.

59. Have you any suggestions to make in regard to the manner of collecting an excise duty on cotton?—The only suggestion I have is, that the tax should be made a lien upon the cotton, and that the railroad companies through the south, where the cotton is raised, might be made the warehouse keepers, and, on their receipt for it, have the taxes paid at the port of shipment. That would relieve the planter from paying it before the article was sold.

60. In case of the imposition of an excise tax on cotton, would you recommend a drawback on the export of American manufactured cottons; and if so, to what extent?—I would recommend a drawback of from five to eight cents. My own judgment would prompt the smaller sum, but, as I deem the facts to be, I think it would be very popular if it was made as large as eight. I think that five would give a great stimulus to manufactures and business; but taking everything into view—the objections that would be made to the tax—I should favor eight. I suggest that the tax should be equivalent to specie. I would suggest that a tax of eight cents on cotton would be equivalent to twenty per cent. of its present price in the English market, which is, by advices received to-day, thirty-nine and forty cents. Twenty per cent. is the export duty that England imposes upon saltpetre furnished by her to this country. We have paid to England many thousands for saltpetre during the war, of which she has a monopoly, and I can see no reason why she should not pay twenty per cent. duty on cotton to us.

61. What effect would such a drawback have, in your opinion, on American manufacturing industry and commerce?—I think it would give a most decided advantage to American industry and commerce. In 1850 Great Britain paid for her cotton £17,574,000. The value of product is rated in an English paper, the Economist, at £48,480,000; an excess of value of £30,906,000, equal to \$150,000,000. In 1860 the product was nearly doubled, and I should assume from that that the increase of value in that year would be in the neighborhood of \$300,000,000. My idea would be like that of Sir Walter Raleigh, who, about two and a half centuries since, in giving advice to encourage the manufactures of England, drew the attention of the English to the Low Countries; to the vast export of wool from England into the Low Countries, where it was made up into cloth, and then imported back again to England; and he drew attention to the great increase of value given to that wool by the efforts of the Low Countries, and invited England to go into the manufacture of wool. I would say that we, instead of sending the raw material out of the country, should add to its value, as England does. If a drawback of eight cents a pound were allowed

to the manufacturer, it would be equivalent to two cents a yard on coarse goods, and on fine to more than one cent, and he would meet the Englishman with the advantage of from one to two cents a yard, and might compete, on a very large scale, for the business of supplying the world with manufactured goods. In 1860 England exported 2,700,000,000 yards of goods; we, in the neighborhood of 100,000,000 yards. Those exports of England were valued at £42,140,000. In 1864 the exports of cotton goods from England were 1,749,000,000 yards, valued at £45,700,000, the less quantity producing the larger price. The first year the goods were worth, on an average, about seven cents a yard; the second year they were worth thirteen cents a yard. In 1864 Great Britain is represented by the Economist as having paid close upon £78,000,000 for half a supply of cotton. She gave, as the writer expresses it, two prices for half a supply. A few years hence, if the increase continues, we shall have nearly enough in our country to manufacture for export 1,600,000,000 of yards, of the value of \$200,000,000. Instead of exporting 1,200,000,000 pounds of cotton, I would export 400,000,000 pounds in cloth, (say 1,600,000,000 yards,) and 800,000,000 pounds of raw cotton—keeping up the price by means of a duty. This would give us an export of cotton worth \$200,000,000, and an export of cloth to the same amount, bringing our exports up to \$400,000,000. We have the energy, the capital, and the skill to increase our manufactures. We have during the war nearly doubled the manufacture of wool; I can see no difficulty, in a time of peace, in doubling our manufacture of cotton in seven years, with the advantage of one or two cents a yard over Englishmen and Frenchmen. These ideas are based upon a return to specie payments, the removal of all taxes upon iron, coal, and production. I look to the fostering hand of government to take off these taxes, and restore us as nearly as can be to the condition we were in before the war. With regard to the capital that would be required for this business, which would probably exceed \$100,000,000, I consider that might easily be furnished, since I have seen the country furnish over \$500,000,000 in a year for the war. I look to the manufacture of large quantities of cotton yarn in the southern States under an excise and a drawback. I believe a drawback would give an immense stimulus to the manufactures and the commerce of the country. My idea is that our manufacturers might furnish Germany with yarns instead of England. I think that by the export of finished goods we could increase our revenue by duties on imports.

62. In case of the imposition of an excise tax or an export duty on cotton, what duty, in your opinion, should be levied on imported manufactured cotton?—It had occurred to me that it was proper to put on imported cotton goods, made partly of our own and partly of other cotton, a duty equivalent to the tax which our own manufacturers might pay, and then an addition of perhaps from twenty to thirty per cent. on the value.

63. Will an excise tax tend to sustain the prices of cotton; and what effect will it have on the price of wool? What was the product of the United States in 1860 in bales, and in millions of pounds; and at what rate could it then be raised? Were there any fertilizers or improved mechanism used in its production; and can they be used to advantage?—I noticed that the rise of cotton carried up wool to some extent. Wool and jute and flax have been more or less substituted for cotton. I think the tendency of a tax on cotton will be to keep up, to some extent, the price of wool. I should say that the cost of raising cotton before the war was not far from six to seven cents a pound. In travelling through the south, I noticed a very extensive use, particularly in Georgia, of guano, before the war. It was at nearly all the railroad stations, and being circulated on the plantations very freely; and the accounts I had there from various sources were that the effect of a pound of guano was nearly equal to the addition of three-fourths of a pound of cotton to the product. The application of 250 pounds to the acre would increase the product from 100 pounds to 250

or 300 pounds. [Mr. King.—My impression is, that that estimate would be rather high, as a general thing.] It is the cotton seed which withdraws the mineral elements from the soil, and not the cotton fibre; and if that seed were used in the way it would be in the north, there would be very little need of any additional fertilizer, on lands that had not been long under cultivation. I found that cotton seed was used as a stimulant for corn. I think it extremely desirable that guano should be introduced as before the war. If a pound of guano will produce from half a pound to a pound of cotton, and the guano is worth but about three cents a pound, its use, at the present price of cotton, would be most beneficial. If it was an object to use it with cotton at nine cents a pound, it is a very great object to use it now, when cotton is up to 40 and 50 cents. The North Carolina cotton raised by the aid of guano was greatly improved, and obtained a great reputation. The staple was lengthened. I think there is a great field at the south for the application of science and improved tools for the cultivation of cotton. By the introduction of the double plough and the planter, the same labor would greatly increase the crop. I found that a smart hand could cultivate about ten acres.

64. Have you formed any opinion as to the extent to which the use of improved mechanism would increase the product of cotton a year?—I think that by the use of improved mechanism, and an artificial stimulant like guano, the quantity might be doubled per hand, in cultivating the old lands of the south.

65. To what extent, in your opinion, will the cotton crop of the United States in 1866 affect the aggregate value of the entire product of the year? Which, in your opinion, would produce to the planting interest the most money for 1866 and 1867—a crop of one, two, three, or four millions of bales?—I should say that I was hopeful there might be a crop, with careful handling of the negro the coming year, of two millions of bales; and perhaps, for the two years following, an increase of a million each year. If the crop should be but a million of bales, it would lead to a higher price—probably to a price of 50 or 60 cents per pound. If the crop should be two millions of bales, it would lead to a lower price; and so for three millions or four millions. I have come to the conclusion that if the crop should be two, three, or four millions, its value, with a duty upon it, might range from \$300,000,000 to \$400,000,000.

66. Would it not be expedient, in case of a large increase from year to year of the crop of cotton, for the government to reduce any import or excise tax it might put on?—I have been inclined to think that it might be of advantage. With respect to the excise, I suppose the government would have the opportunity, from year to year, of modifying it to meet the contingencies of the case.

67. In case an excise on cotton is imposed, what taxes on the manufacture of cotton should, in your opinion, be remitted?—I think every tax upon production, and upon the coal and iron which enter into the production, should be remitted, and the tax on sales. I should advocate taking off every burden, unshackling industry, and giving us a fair opportunity to compete with the world. The English now say, "we are going to supply the United States with manufactured goods, because they are taxed so that they cannot manufacture themselves." My idea is to transfer a part of those taxes to England and France, and free industry here. I have omitted to state, in my previous examination, that I learn from a reliable source that the price of cotton at Liverpool, from 1800 to 1819, averaged about 38 cents. It rose during the embargo to 30 pence, and went back again on the repeal of the embargo. It rose with the war, in 1814, to 27 pence, and then went back to 15 and 18 pence. In 1819 there was a great fall in the price of cotton. It went down from 18 to 12 pence—or 24 cents—upon an increase of the importation from 477,000 bales in 1817, to 665,000 bales in 1818; an increase of 40 per cent. in a single year. It fell again to 7 pence, or 14 cents, in 1825, after the importation had increased

to \$20,000 bales, or about 24 per cent. In 1827 it fell to six pence, with an importation of 889,000 bales. Since 1827 the price has usually ranged from five pence upward to seven or eight pence, and sometimes a little over. During the rebellion it rose to a little above 30 pence, which seems to be about the English limit. It is difficult to carry it above 30 pence in England. During the embargo, the war, and the rebellion, from 30 to 31 pence seemed to be about the limit. It is remarkable that for the long period of eighteen years—from 1800 to 1818—before the great development of American cotton, the price varied little from 38 or 40 cents a pound.

68. What export duties, if any, have been imposed in England, France, or Holland, on articles exported to the United States?—I submit to the commission an English price current of Calcutta, of 15th July, 1865. By this it appears that the English export duty on saltpetre is one rupee (worth about 50 cents in gold) per *bazar maund*, which I understand to be about 82½ pounds. Saltpetre at Calcutta ranges from four rupees to six and a half per *bazar maund*. Thus the duty ranges from 15 to 25 per cent. The duty is about \$15 per ton. Rice, duty two annas per *bazar maund*. Linseed, three per cent. Gunny cloth, which we use for cotton packing, three per cent. Cotton, three per cent., (a precedent for our duty here.) Jute, three per cent. Shellac, four per cent. Lac-dye, four per cent. Castor oil, three per cent. Cutch, three per cent. Twine, three per cent. India-rubber, three per cent. Opium is a monopoly, and we are indirectly made to pay a heavy duty upon it. There is also a very heavy duty upon cinnamon, from Ceylon, imposed by the English government. For a time, machinery was prohibited to us by England entirely. France, at this time, is imposing a heavy duty upon the exportation of rags, so as virtually to prohibit their exportation. There is great complaint in England of this duty. Holland monopolizes all the coffee of the island of Java, and I learn from an English publication that she is paying off a debt of \$800,000,000 by the profit she makes upon the Java coffee—an indirect tax upon the rest of the world, and equivalent to an export duty.

OCTOBER 4, 1865.

*Testimony of William Gray.*

69. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is William Gray; my residence, Boston. I have been, since July, 1847, treasurer and manager of a cotton manufacturing company. For the last nine years I have sold their goods, as well as superintended the manufacture.

70. Do the taxes of six per cent. on sales, the taxes on coal, starch, iron, transportation, and other things connected with the manufacture, increase the cost of the finished product; and if so, to what extent? What is the cost of making and delivering from the mill to the consumer a pound of cotton cloth now, and what was it in 1860? What has carried the cost of cotton goods to their present height? Give the items—what wages were paid in 1860 in the cotton manufacture, and what are paid now?—I should estimate the cost of manufacturing, in the mill of which I have charge, at thirteen cents per pound of cloth, for the last three months, of which the labor would be about eight cents. In 1860, the cost would have been about six cents, of which the labor would have been 3¾ cents, perhaps four. The average wages paid the women in the mill, for the three months ending September, 1865, was about \$3 50 a week, exclusive of their board. The wages paid to the women in 1860, exclusive of their board, was \$2 34 a week. The wages paid the men, in 1865, was \$1 59 per day; in 1860, \$1 08 per day. It is a little difficult to make the comparisons with accu-

racy, because of the changes that have been made in the character of the goods manufactured, but I think the answers I have made are substantially correct, to the extent that they go.

71. If a moderate tax or export duty should be imposed on cotton, on whom would it fall—the producer or the consumer?—I should say it would be divided between the producer and the consumer. The theory is, I know, that it all falls upon the consumer, but practically I think it does not act so. For instance, there is a stock of goods on hand, manufactured before the tax was laid, which the parties are ready to sell at the old prices, and the public are slow to pay the extra price. That compels the importer or the manufacturer to reduce the cost to himself; so that I think a new duty or tax is divided between the producer and consumer.

72. You would make a difference between the tax for internal revenue and an export duty, in explaining that, would you not?—It might be so; and yet I don't know that I should, because we keep a large stock of goods on hand. I don't know that there would be a difference, except that the importer, in anticipation of a duty, would make large importations.

73. Ultimately, is not the tax placed upon the consumer?—I should say yes, with this qualification—that the producer makes his article cheaper, and the consumer does not pay the whole increase in the tax, because the duty has been a stimulus to the cheaper production. It is a very complicated problem, and it is difficult to give a precise answer.

74. Are you in favor of an export duty on cotton, supposing all constitutional restrictions to be removed?—I am not in favor of an export duty, and my opinion is, that an excise tax should be a moderate one. I give that answer, not only as a manufacturer, but looking at what would be, from my point of view, for the general interest. I think we have got to look at various interests. I know that our cotton is worth about fifty per cent. more than Surat, of the same grade, and it would bear a moderate tax, say of two or three cents a pound, without interfering with its production, so far as that is affected by the production of other countries. We are nearer to the foreign consumers than other cotton-producing countries, and have the advantage of a cheaper transportation on that account. But if you go beyond that, (I don't undertake to say that you could not go one or two cents more,) you are in danger of discouraging the raising of cotton at home; and my idea would be, that it would be better to have an excise that would not interfere with it as an article of commerce to go abroad. There are some advantages to the manufacturer in having the excise kept at a moderate price; but that is not the only idea I have in my mind—I should be in favor of a moderate excise tax as best for the country, in all its branches of industry.

75. In case of the imposition of an excise tax on cotton, would you recommend a drawback on the export of American manufactured cottons; and if so, to what extent?—By all means; to the full extent of the excise tax, as well as of any other duties that are put upon consumption. The reason is, that otherwise we could not compete with other countries in the manufacture of this product.

76. What effect would such a drawback have, in your opinion, on American manufacturing industry and commerce?—Whenever the price of the raw material is such that it will go abroad, it will be a great stimulus to the exports of the country, and enable us to pay for our importations in articles of our own production, instead of coin. At the present time, the price of cotton is not low enough to induce shipments of any amount to foreign countries.

77. You are of opinion, that in case an excise duty was levied upon the raw material, the excise tax should be remitted on the manufactured goods exported?—Yes, sir, that is my idea; and with an addition to cover the waste.

78. If such an arrangement was made, do you think we could supplant the

English manufacturers in foreign markets to any extent?—Yes, sir; I believe there would be a struggle and competition, but I believe we could do it.

79. What effect would it have on the industry of the south?—It would have the effect to stimulate the production of the raw material. It might aid the manufacture there; if so, that would be a gain to them. We might go, then, into the finer branches.

80. In case of the imposition of an excise tax or an export duty on cotton, what duty, in your opinion, should be levied on imported manufactured cotton?—I think there should be a sufficient duty, in addition to the ordinary duties, to cover the taxes we are subject to at home, because that is a special tax. There are two considerations that come in here. If you levy this tax of ten cents, you wish to give a like protection to the home manufacturer, as a matter of justice, against the foreigner who is sending goods here. Another consideration is, that you want to stimulate the manufacture, so as to have a large amount upon which you can assess your tax.

81. Do you think the present tax of six per cent. is too high?—I don't think it is, as the cotton interests stand to-day. I should not venture to speak about other interests. I have been in favor of this tax on cotton manufacture all through, under the idea that it was very simple, that it could be easily imposed—the corporations being all visible, and making their sworn returns—that there was less danger of fraud, and that it could be collected with economy; and I am inclined to think that the impost derived from domestic manufactures has been more economically collected than that obtained from any other source.

82. How would it be in the west, where there are no large corporations as in Massachusetts, and where they have had little experience in starting them?—It would undoubtedly tend to delay their going into operation. I should not venture to express an opinion except upon my own observation. At the same time, if there is a demand for the manufacture, with the industry of the country as it is likely to be for the next five years, I don't think a moderate tax would materially interfere with such enterprises.

83. Would not the tax on sales, affecting everything sold for exportation, injure you in regard to competing with manufacturers abroad?—Certainly it would.

84. Is not the present state of the market one of very unusual profit to the manufacturer?—Yes, sir, very unusual, and not one to be depended upon for any length of time.

85. Have you not sometimes run your mills when the profit did not reach more than five or six per cent.?—Oh, yes, sir.

86. Suppose a tax of five cents a pound is levied on the raw material, what alteration would you suggest in regard to the excise tax upon the manufactured goods?—Going upon the idea, which is very prevalent, and I believe it to be correct, that the tax to-day is as heavy as the manufacturer can well bear, (I do not speak of the profit of to-day, but of the average profit,) and looking not only to his interest, but to the interest of the country in the employment of labor, and in making the product which is to be the subject of taxation, I should say you should reduce the tax upon the manufactured article just as much as you increase it upon the raw material. For illustration: The internal excise upon cotton is now two cents, which amounts, on account of the waste, to  $2\frac{1}{2}$  cents. The tax on sales is six per cent.; equal, if the goods sell for \$1 20, to 7  $\frac{2}{100}$ ths. If you add to that the 2  $\frac{50}{100}$ ths on the cotton, you make the whole tax on every pound of cloth made 9  $\frac{70}{100}$ th cents. Therefore, if you increase the excise tax on cotton to five cents—adding 20 per cent. to that for waste, as before, making it equal to six cents—you should reduce the other tax to 3  $\frac{70}{100}$ th cents, to place it upon the same footing.

87. That would be a reduction of the excise on sales of more than fifty per cent.?—Yes, sir. My own belief is, that 60 cents a pound is as much as manu-

factured goods will sell for, on an average, for the next three years. Taking an average of 70 cents, six per cent. on that would be 4 20-100ths; adding the tax upon cotton, 2 50-100ths, makes 6 70-100ths. Now, if you put the five per cent. and the two per cent. on the cotton, you have very little left for your manufactured article. You must substantially remove those taxes; so that, practically, I think it will come to this, if you are going to lay a heavy tax upon cotton, you will have to take it off of the manufactured article.

88. How far have the United States reason to fear the rivalry of other countries, in case the price of cotton should not fall below twenty-five cents per pound in the seaports of the United States for several years to come?—I should say, generally, that we should have no difficulty, so far as that rivalry is concerned, provided too high a tax be not imposed. With cotton at a high price, five cents would be of little consequence, because that high price arises from a short supply of the raw material.

89. With the price of cotton ranging from twenty-five to forty cents per pound, what amount, in your opinion, will be required to meet the present annual demand for consumption in the United States?—I think 600,000 bales, at that range of prices.

90. What was the former consumption?—750,000 bales, I think, was the largest amount ever actually consumed in twelve months north of the Potomac.

91. Would you not recommend in the tariff a specific duty on the pound of cotton cloth imported, equal to the excise tax, with the waste added, and that that specific duty should be a schedule by itself, clearly understood, and never to be changed except with the tax on cotton?—I think that would be an excellent plan.

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*Testimony of Samuel Frothingham, jr.*

92. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is Samuel Frothingham, jr. I reside in Boston. I am engaged in the domestic commission business. I have been connected with the cotton manufacture for twenty-five years, as agent; I have not been directly interested in the cotton manufacture.

93. What is the present condition of the cotton manufacture in this country, (October 5, 1865)?—The results are certainly very profitable to the manufacturer; have been so for the last three months.

94. How has the business been as regards profit for the last twelve months?—The result of the business for the six months previous—say from the first of January to the first of July—was disastrous, extremely disastrous, to the cotton manufacturer, many of the large companies making up with a loss of from 50 to \$300,000 for the six months.

95. Can you give any specific instances of losses sustained by cotton corporations during the last twelve months?—Yes, I can give an instance of a corporation having 18,000 spindles only, that made up with a loss of \$96,000, say from the first of December to the first of June.

96. How much tax did they pay during that time?—I should say \$12,000. Another mill, of about the same size, lost \$120,000 for the six months.

97. What tax did they pay?—They must have paid \$18,000 tax. Their product was about the same.

98. Are you in favor of an excise tax or an export duty on cotton?—I am decidedly in favor of an export duty.

99. In default of that, are you in favor of an excise tax?—Yes; but the export duty would supersede the necessity for an excise.



100. To what extent, in your opinion, will the manufacturers of Europe be dependent on this country for their supplies of cotton?—Well, we have never consumed over 900,000 bales per annum. Europe will take the excess of our cotton, no matter what it is; because the attempt to grow cotton in India and elsewhere has resulted in failure. Those cottons cannot take the place of our cotton, the staple is so much inferior, and an increased production will reduce the price to such an extent as will enable them to consume everything which we can grow, even if the production should go up to six million bales.

101. To what extent must the price of cotton be reduced to increase the consumption to such a point as to enable Europe to take all our excess?—It is difficult to answer that directly. The price of all commodities is regulated by the supply and demand. If there should be an excessive supply of cotton, the price would be reduced to such an extent that the consumption of cloth would be wonderfully encouraged and increased, and it would find its level.

102. At 25 cents a pound, do you think that Europe would take all the surplus in this country, provided it did not exceed four million bales?—I think it a little doubtful. My impression is, that the consumption in China, Africa, and other large markets, will be reduced, under the excessive price of the manufactured article, which must result from the high price of the raw material, as to render it an unprofitable business.

103. In case of the imposition of an excise tax on cotton, would you recommend a drawback on the export of American manufactured cottons? and if so, to what extent?—I think a measure of that sort, if it was commensurate with the necessities of the case, would do very much to encourage our commerce and restore the export demand for cloth.

104. Do you think it would increase it beyond any point yet attained?—I don't think it would with the present price of cotton; prospectively it would. We have been able to hold our own upon the heavy sheetings and drills, which have been the main articles of export, in China and South America, but we have not got up to the finer numbers. In those articles we have been entirely unable to compete with England.

105. To what do you attribute that fact?—The difference in labor comes in there. In fourteen yarn goods the cost of the raw material preponderates; in the finer numbers the labor is the greater, and we cannot produce them, with our labor, low enough to compete successfully with England.

106. Are the heavy goods manufactured here better than the English?—Very much—indeed all our cotton goods. It is well known that our goods, which have heretofore been exported, obtain a marked preference over the English article in the markets of China and India. The English, in fact, trouble us greatly there with imitations of our American prints. In Calcutta, the natives have a habit of dashing the clothes upon the rocks, when washing them, and our goods are found to be the only ones that will stand this rough usage.

107. Will you state to what extent we are succeeding as regards the taste with which our goods are got up?—I think that in all matters of design and taste, as applied to our manufactures, we have made very rapid advances, and are quite up with the English; in many respects, up with the French. I think that, in regard to fancy woollens, we are not behind either the English or French. In fact, there is nothing that we cannot make.

108. Are any American fabrics sold under foreign designations?—A great many. At almost all our fashionable tailoring establishments a great many American woollen goods are sold as French or English.

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*Testimony of Edward S. Philbrick.*

109. What is your name, residence, and occupation, and what opportunity are you had to acquaint yourself with the subject of cotton? Are you inter

ested in the manufacture of cotton, and if so, in what capacity?—My name is Edward S. Philbrick; my residence, Brookline, Massachusetts; for the last four years I have been engaged in the cultivation of cotton on the sea-islands, S. C. I went there in 1861, and took charge of three plantations, under the direction of Ed. L. Pierce, special agent of the Treasury Department. These plantations were located on St. Helena island. I took charge of them that year, and got a crop for the government.

110. Will you state what has been your experience in regard to raising cotton on those islands?—In the following spring, the spring of 1862, most of the plantations on those islands were sold by the tax commissioners appointed for that State, and being satisfied that I could produce a much better result by private enterprise than as the agent of the government, I bid in thirteen of those plantations and have cultivated them ever since.

111. Are you cultivating them now?—Yes; I sold part of them last winter, but I am cultivating on my own account four of them.

112. What labor do you employ?—Nothing but negroes; there is nothing else there. The white population had entirely vacated the island when I went there, and have never been there since, except now and then a straggler.

113. Will you state the crops you have raised?—The first year, when I was at work as the agent of the government, I went on the ground so late in the season, it being the month of March, and nothing having been done previously in preparing for a crop, we were obliged to operate under great disadvantages, and we put in scarcely any cotton. The first thing was to provide food for the negroes; and, to prevent them from becoming paupers, we urged them to plant sufficient provisions for their own sustenance that year, and as much cotton as they could. We got in scarcely any cotton; I think less than one-fourth the area usually planted in former years. The second year I was able to work more energetically, and, beginning in better season, I got in about double the area I did the first year, and I have increased that area since; but I have not been able, from various reasons, to plant over two-thirds of what used to be planted in cotton, and have been unable to reach the standard of production which I found was usual on those islands in former years. I found in various statistical reports, principally from "De Bow's Review," that the sea-islands used to furnish about 130 pounds to the acre, but I have been unable to get more than 100 pounds to the acre in the most favorable season. But I see very good reasons why I have not. I have got full as much as I expected. In the first place, we have lacked experience. I never saw a cotton plant till 1861. When I went there the old white overseers were gone, and we had to rely entirely upon what the negroes knew as to the detail of the culture until we could acquire such experience as we have been able to during the last two or three years. Then the able-bodied laborers were absent. The most intelligent had been taken away by their masters when they left the island. Then there were three successive conscriptions during the two or three years, all of them under General Hunter's orders, I believe, whereby most of the able-bodied negroes were enrolled and went into the ranks of the United States army. They did not succeed in getting them all, but those whom they did not get into the ranks we were forbidden to employ; they were outlawed, and obliged to live in the woods, and we were unable to get their assistance. So the labor has been done by the women and children, and such part of the population as were not fit for military service. Then, although the women and children were able to cultivate and harvest and prepare the cotton for market, we labored under a disadvantage in being short of manures. The manures could not be gathered and distributed without able-bodied men and live stock. We found the plantations almost destitute of live stock, and what the former owners had left was destroyed by our army in the course of a month; and being crippled in that way, we could not manure the land as it had been manured before. We found that much more

attention had been paid there to manures than it is generally supposed is paid to that matter at the south. Their crop was a monopoly, and the area limited, so that it became an object to pay considerable attention to scientific culture. We have never applied more than half the manure which was formerly applied; and to that fact, and the fact of our inexperience, the short crops are due. We used the salt mud from the creeks for manures. There is a very waxy, fatty mud there, an alluvial deposit, which is just what the light soil of the island needs. There is no other manure needed, I am satisfied, for the peculiar staple of the island. I have tried stable manures and other animal manures without success. The plant grew to an extraordinary height, as high as the upland cotton, and in July and August promised well, but we got no fruit at all.

114. With the ordinary supply of labor and tools and animals, would you have been able to get an average crop per acre?—I think there is another reason, which I could not control, which would have prevented it, and that is, the want of confidence on the part of the negroes in their employers.

115. Have you overcome that?—Not entirely. I don't think we shall during this generation. The negro, when he is first freed, is inclined to run about and see the world, as he has never been able to before. It is human nature; we cannot prevent it. He is less inclined to persistent industry than men who have been brought up to take hold of industry from choice. The only industry the negro has known anything about has been compulsory, and his first inclination is to spend his time in any other way rather than work in the cotton field. During the first year we had continually to combat that feeling. It was constantly said, "Cotton is no good for nigger. Corn good for nigger; groundnuts good for nigger; cotton good for massa; if massa want cotton he may make it himself; cotton do nigger no good; cotton make nigger perish." Now, by prompt and regular payments for labor done in the cotton field, I am enabled to get considerable work done, but I am unable to apply my own brains, because they persist in following the old shiftless habits of industry. I cannot introduce any new methods at present, where I think I could vastly improve the economy of culture by them.

116. Is there any other labor available there?—I have sent to the Ionian islands to get fifteen Greeks, at an expense of \$2,000, and I hope they are on their way now. I propose to distribute these among fifty times their number of blacks, to set them an example of industry.

117. What is the largest amount of cotton you have raised in any one year?—The first year of my operations there, 1863, on an area of 814 acres, I raised 200 bales—72,000 pounds. In 1864, on 906 acres, I got 57,000 pounds. The caterpillar destroyed half my crop. I have planted this year, on my own account, 410 acres, and they are just beginning to pick it. The caterpillars again ran over all my fields, and destroyed all of the foliage; there is not a leaf left.

118. Is the crop destroyed?—No; because some of it was fully grown before the caterpillar made its appearance. I don't expect this year more than half a crop.

119. What has been the average cost of the cotton you have raised there?—I cannot include the cost of superintendence, because I have shared the profits with the superintendents. My theory was, at the start, that the men who exiled themselves from New England and lived there were entitled to share the profits. But, exclusive of superintendence, it cost me about 40 cents a pound the first year, which was the most favorable year, because wages were low then. Last year it cost me an average of \$1 05. I paid about double wages, and did not get a full crop. I think it will cost me about as much this year. The price now is about a dollar and a quarter a pound. I have to insure it, bale it, and pay the tax there.

120. Have you formed any estimate of the probable crop at the south the present year?—I have no means of forming any estimate except of the sea-island, for I have never stepped on the main land. I have estimated the crop there at

2,000 bales; but since I have heard of the arrival of the caterpillar, I have estimated it at 1,500 bales.

121. What was the former crop?—8,000 bales.

122. What proportion is cultivated?—Not over a quarter; and a great deal is devoted to provisions; and then the area that we have in cotton is not so thoroughly cultivated, for lack of manures, as I formerly stated, and for lack of experienced superintendents.

123. Do you anticipate any immediate increase in the amount of sea-island cotton raised?—No; it must be gradual. The disorganization of labor is very great, and the utter destruction of a great many of the buildings, with the destitution of many of the islands, will prevent the laborers engaging in the culture rapidly.

124. Do you think that under a new system of labor you can raise cotton at less than a dollar a pound?—I can, if the price of provisions is reduced. Supposing the caterpillar does not destroy the crop, I think we can approximate the old prices within a year or two if we get back to a specie basis of prices.

125. Are you able to feed the negroes on the old food?—They feed themselves. I do not pay the slightest attention to their food, but make them responsible for feeding themselves entirely.

126. What wages do you pay the negroes?—I pay them by the job. The job prices are such that a smart, intelligent hand earns from \$1 50 to \$2 a day, without working over seven or eight hours a day, besides having rent free, fuel from my woods, and rent of land enough to raise provisions for himself and family, and a horse; they are all buying horses.

127. What portion of the year could white labor be used there?—I should think about eight months. I think that white labor can be acclimated if we bring it from similar latitudes in the Old World. It will not need much acclimating if you bring it from the Mediterranean. Irishmen would not thrive there; they would get bilious fever and fever and ague immediately. Taking the present disposition of the negroes into consideration, I think they cannot be profitably employed except by the job; but when job labor is the method adopted we cannot control their means, cannot introduce new methods, and, in fact, can hardly reach the old standard of efficiency.

128. According to the ideas you have advanced, it would seem that you think that in order to obtain a full crop there must be some system of compulsory labor?—No; I think that would be worse yet. I think the negro would not work under a system of compulsory labor. But I think it is not possible to get a crop equal to the former crop during the next ten years, and I don't know that you can in the next twenty years.

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*Testimony of George C. Richardson.*

129. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—George C. Richardson; Boston; my occupation is that of a commission merchant, cotton and wool, principally cotton.

130. Are you in favor of an excise tax or export duty on cotton for the purpose of raising revenue?—If it is absolutely necessary to raise a revenue, I should be in favor of it; otherwise not. On general principles, I should be opposed to it. I think that, as a cotton-growing country, it would be against our interest to have an export duty.

131. Is not the demand for cotton so far in excess of the supply, and likely to be for some years to come, that we could without detriment to American industry impose an export duty?—We could, without any immediate injury, but it would stimulate the production in other countries.

132. How far have the United States reason to fear the rivalry of other countries, in case the price of cotton should not fall below twenty-five cents per pound in the seaports of the United States for several years to come?—The result would, in my opinion, be a very large increase in all foreign countries over the present production, if cotton should not fall below twenty-five cents.

133. What effect would an excise tax on cotton have on wool?—Cotton being so large an element in the producing interests of the country, an advance on that would be largely diffused over all the other producing interests, and enhance the price. I must say that I am giving these answers merely on my general every-day experience in business.

134. If a moderate tax or export duty should be imposed on cotton, on whom would it fall—the producer or the consumer?—It would generally fall upon the consumer. There are peculiar conditions of the market when it would not. If there was a large surplus upon the market, and no regard paid to the cost of the goods, then it would fall upon the manufacturer.

135. Do you think two or three cents a pound would be injurious?—I don't think two or three cents a pound excise duty on cotton would change the ordinary course of trade, but the general results would be as I have stated. If you should put ten cents a pound upon cotton it would interfere materially.

136. What do you say to five cents?—Five cents would change the course of business somewhat. If cotton should go down to ten cents, the old price, a tax of two or three cents would be very material indeed.

OCTOBER 5, 1865.

*Testimony of Edward Atkinson.*

137. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is Edward Atkinson; I reside in Boston; have had several years' experience in the management of cotton mills, as treasurer of the corporations owning them, and am now interested as treasurer and as a stockholder.

138. What amount of cotton was required in 1860 to meet the demands of the manufacturing industry of the United States and Europe? What proportion of this demand was supplied by the product of the United States?—I should give the consumption of England in 1860 at 2,523,200 bales, of an average of about 430 pounds each, equal to 1,083,600,000 pounds; of the continent of Europe, 713,800,000 pounds; and the consumption of the United States about 400,000,000 pounds—the amount consumed by the mills in the southern States being about one-eleventh of the consumption of the United States. Of this cotton the proportion of American cotton used in England was  $87\frac{1}{2}$  per cent, upon the continent about 75 per cent., as nearly as I can ascertain—but on this point I am not exact—and of the United States 100 per cent.; American cotton comprised about seven-eighths of the whole consumption of the world in 1860.

139. What were the average prices of American and foreign cotton for 1860 at New York and Liverpool?—I will submit the average price for seven years, from the "Liverpool Journal of Commerce," in pence: 1855: American,  $5\frac{3}{4}$ ; Surat,  $3\frac{3}{4}$ . 1856: American, 6; Surat,  $4\frac{3}{4}$ . 1857: American,  $7\frac{1}{4}$ ; Surat,  $5\frac{3}{4}$ . 1858: American,  $6\frac{1}{4}$ ; Surat,  $4\frac{3}{4}$ . 1859: American,  $6\frac{1}{4}$ ; Surat,  $4\frac{3}{4}$ . 1860: American,  $5\frac{1}{2}$ ; Surat,  $4\frac{1}{4}$ . 1861: American,  $7\frac{3}{4}$ ; Surat,  $5\frac{3}{4}$ .

140. What was the average percentage increase of the consumption of cotton in the United States and Europe for the ten years prior to 1860? and what for the three years intervening from 1857 to 1860?—It is better to give, instead of the percentage, the consumption of England from 1850 to 1864, inclusive, in millions of pounds: 1850, 588; 1851, 658; 1852, 739; 1853, 760; 1854, 776;

339; 1856, 891; 1857, 826; 1858, 905; 1859, 976; 1860, 1,083; 1861, 1862, 454; 1863, 573; 1864, 559. The consumption of the United increased from 1850 to 1860 about sixty per cent. I desire to call attention to the weekly consumption of cotton in England at four different periods:

	1850.	1855.	1860.	1864.
n .....	20,767	30,278	41,094	3,050
l .....	3,310	2,198	2,164	3,000
a .....	1,542	2,359	1,804	5,510
lian .....	3,385	5,383	3,340	14,220
dies, &c. ....	121	185	121	890
nd Japan .....				4,220
otal .....	29,125	40,103	48,523	30,890

Comparing the consumption of each variety in 1850 and 1860, it appears the increase was practically all upon American cotton, and that, after three years of high prices, England only succeeded in obtaining in 1864 a less supply than she had in 1850. The number of bales is greater, but they were smaller. The increase in the consumption of cotton, comparing 1860 with 1857, was 257,000,000 pounds, almost all American. The increased consumption obtained from other countries than the United States in 1864, compared with 1860, was about 400,000,000 pounds, available for her own use; so that it is evident that, with her supply of American cotton reduced from 41,000 bales to 30,000 bales per week, Great Britain has been able to obtain from all the world more than she might have needed to keep up her increased demand, had she received her full supply of American.

Was there any accumulation of cotton cloth in 1860? Have the stocks of goods in the hands of traders and consumers in all parts of the world diminished during the war? and if there be any deficiency, what demand may be expected for some years to come?—There was undoubtedly a great diminution of cotton fabrics made from the excessive supply of cotton in 1860. The effect would have appeared in 1861 and 1862, rather than in 1860. The stocks of goods in the hands of traders throughout the world have been exhausted, I should say. The following figures, showing the actual value of cloth and yarn exported from Great Britain during the past eight years, will show how bare the world must be of cotton manufactures: 1857, £1,000,000 pounds; 1858, £20,741,000 pounds; 1859, £43,871,000 pounds; 1860, £58,722,000 pounds; 1861, £69,880,000 pounds; 1862, £420,000,000 pounds; 1863, £410,000,000 pounds; 1864, £430,000,000 pounds. In answer to the question, if there is any deficiency, and what demand for goods may be expected for some years to come, I should not be bold enough to make any statement. I think there will be a demand in this country for all the goods that can be made by three-quarters of the spindles, if the price of cotton should advance beyond fifty cents a pound; and I am inclined to think that there would be a demand for ALL the goods that could be made by the spindles of the country, at or about fifty cents a pound for cotton, for the reason that we have not since 1860 increased the number of cotton spindles, but have probably reduced them, by fire and by the change of small concerns from cotton to other trades. There was no excess of spindles in 1860, with cotton at its old price, and we have increased from three to five millions in population since that time. Had I asked me six months ago whether the present product of cloth could possibly be consumed, from week to week, at present prices, I should have thought it utterly absurd to have conceived such a thing; I should have thought it impossible.

Upon what do you found your change of opinion?—I found my change

of opinion upon the fact that the production has been increasing as fast as we could get operatives, probably to the extent of three-quarters of the spindles, and that goods are selling upon a basis of a much higher price for cotton than fifty cents. We are undoubtedly filling a gap. Every soldier who comes back from the war wants a supply of shirts; every one has run bare of cotton clothing. When the extra taxes and the impediments to trade in cotton were removed, there seemed to be a conviction go through the country that trade was restored to its normal condition, and that the time had come when every person should buy a little cotton cloth. How far this has created the excessive demand, or how long this excessive demand will continue, it is impossible to tell. Within a few weeks the number of spindles in operation has been seriously decreased by the scarcity of water. For the four months up to the first of September I think the consumption of cotton was 10,000 bales a week, on the average, north of the Potomac. This number of bales of cotton was being worked on a larger number of spindles than they used to be, because they were used for finer work, and they gave employment during that period to nearly, if not quite, three-quarters of the spindles. I would add that the only reason why the production has not increased faster has been the great scarcity of operatives, both male and female. I think all the spindles of England could not be employed with cotton at forty to fifty cents a pound in gold, as their markets are very largely among eastern nations, where wages are very low—such as China, India, eastern Europe, and even Germany. I want it clearly understood that these opinions are subject to the same doubts that would have existed in my mind four months ago as to the condition of things at the present time. No one can give an opinion that is worth much as regards the future demand, or the point at which the price of cotton will diminish the consumption. No person can give an answer that ought to be made the basis of legislation.

143. What effect has the scarcity of cotton had upon the production of linen and woollen goods?—The absence of cotton has largely stimulated the manufacture of linen abroad. I am not very well informed about the woollen business, but it has seemed to me that the production of woollen goods has not been stimulated to the extent that I should have anticipated. The production of worsted dress goods has been very much stimulated by the absence of cotton. With regard to flax, I have had advices to this effect, that it was extremely difficult to make a contract for flax machinery, on account of the large orders ahead, which had been in the hands of the flax-machinery makers for a long time.

144. At what rate per pound and per yard are manufactures of cotton—namely, shirting, sheeting, and cloths—now sold in Boston or New York; and at what rate were they sold in those cities between 1857 and 1860, prior to the war?—I think a general answer to this question is better than a detailed answer. I should say, in general terms, that the sales of cotton goods were at four times the average price prevailing from 1857 to 1860. I would like to add that the price of cotton is also four times what it was at that date, and the cost of labor and other supplies for the manufacture of cotton double what it was from 1857 to 1860. I would also say that I consider the present prices excessive, and injurious both to the manufacturer and the consumer, in the long run.

145. Do the taxes of six per cent. on sales, the taxes on coal, starch, iron, transportation, and other things connected with the manufacture, increase the cost of the finished product; and if so, to what extent? What is the cost of making and delivering from the mill to the consumer a pound of cotton cloth now, and what was it in 1860? What has carried the cost of cotton goods to their present height? Give the items—what wages were paid in 1860 in the cotton manufacture, and what are paid now?—The tax of six per cent. on sales is made a part of the cost of cotton cloth. The price of cotton cloth would *not vary to-day*, whether the tax were on or off; so that it may be said to be, *to-day, so much out of the pocket of the manufacturer.*

146. But that is an exceptional condition of things?—I consider it an entirely exceptional condition of things.

147. Would you put it in the reverse, and say, that if the tax were taken off, it would be so much additional profit to the manufacturer?—Yes, sir, for the moment; but, in the long run, the consumer pays the tax, because it will limit the production of goods. Mills will not be built, and those in operation will be stopped, whenever the tax cannot be included in the cost of goods, except, of course, for a short time. It is better to run a mill for a short time at six per cent. loss than to stop. The tax on coal, starch, iron, transportation, and other things, increases the cost of the finished product to the extent to which the parties who furnish these articles are able to put the tax into the cost of their product.

148. How much do these taxes increase your six per cent. tax?—To the full extent of the tax on those articles. It would be to-day about a half a cent per pound on the cost of the cotton cloth. I speak simply of the coal, starch, iron, and transportation entering into the cost of the cloth made on existing machinery, taking No. 30 yarn or medium goods as the standard. If you intended to include in the question the addition to the cost of cloth if made on machinery built to-day, with all the advances on the new machinery, it would be very much more. I understand this question not to include the tax on cotton. During the period of high prices—say for three years out of four of the war—cotton cloth would have paid a loss if made from cotton at the price of the day on which the cloth was sold. The case was a very singular one. The crop of 1860 was excessive. The crop of 1861 was a million bales short. The manufacturers in New England learned that fact very early, and a very large proportion of them took one year's stock of cotton, in the fear of a short supply, not of war. They had it on hand when the war began. Now, if the mills that I represent had kept the cotton which we had on hand at the beginning of the war up to the average price of the year 1864, and had then sold it, and burned our mills to the ground without insurance, we should have been a great deal richer than we are. It would probably have been to one concern twice and a half the profit, with the mills destroyed, that we did make. The cost of making and delivering to the consumer a pound of cotton cloth now is nearly four times what it was in 1860, with a tendency to a further advance—taking plain cotton cloth, of the average number, as the standard.

149. Will you give the items as to the wages paid now and in 1860?—I think that, in giving the advance of wages, the weavers should be separated from the other operatives, because the persons employed in weaving are still, as in 1860, chiefly adult women. In other departments, young persons have been worked in to a larger extent than they were formerly employed, and if you gave the average of the mill, you would not give a fair average of the advance. The wages paid to weavers have more than doubled, with a tendency to still further advance. As to spinners, we work a smaller class of help, and more of them. The same rule—more than double—will apply throughout the mill, if you take a hand of the same age and capacity as in 1860.

150. What amount of cotton was made available for the manufacturing consumption of the United States and of Europe in 1863?—The supply of cotton for use in the United States in 1863 was at the rate of about 4,000 bales per week, of which I should estimate 3,500 American and 500 Surat. The consumption of cotton in Europe in 1863 was 855,900,000 pounds, or an amount equal to about two million bales of American cotton.

151. What amount was made available in 1864?—About 4,000 bales per week in the United States. In Europe, 956,200,000 pounds.

152. From what sources was the cotton thus made available derived?—The supply of the United States was mainly American cotton. The supply of Europe was mainly from India, Egypt, Turkey, Brazil, China, and Japan.



153. What has been the respective increase in the supply of foreign cotton, under the stimulus of high prices, from 1860 to 1865, inclusive?—The consumption of cotton in Great Britain, and the prices, have been as follows:

In 1860:

	Pounds.	Price.
American, $5\frac{3}{4}d$ .....	956, 894, 000	£22, 925, 585
Brazil, $7\frac{3}{4}d$ .....	20, 380, 500	658, 120
Egyptian, $7\frac{3}{4}d$ .....	38, 885, 500	1, 255, 677
West Indian, $7d$ .....	1, 260, 000	36, 750
East Indian, $4\frac{1}{2}d$ .....	66, 180, 000	1, 137, 468
Total, $5\frac{3}{4}d$ .....	1, 083, 600, 000	26, 013, 600
On the continent—About 75 per cent. American and 25 per cent. East Indian, $5\frac{3}{4}d$ ..	713, 800, 000	16, 729, 680
	1, 797, 400, 000	42, 743, 280
In bales of 400 lbs., and £ at \$4 80.....	4, 493, 500	\$205, 167, 744

In 1864:

	Pounds.	Price.
American, $27\frac{1}{2}d$ .....	70, 049, 340	£8, 026, 486
Brazil, $28d$ .....	28, 044, 000	3, 271, 800
Egyptian, $27\frac{1}{2}d$ .....	115, 705, 000	13, 257, 864
Turkey, &c., $20\frac{1}{2}d$ .....	19, 819, 650	1, 692, 928
West Indian, &c., $27d$ .....	9, 276, 000	1, 043, 550
East Indian, $19\frac{1}{2}d$ .....	269, 018, 820	21, 577, 551
China and Japan, $17\frac{1}{2}d$ .....	49, 284, 000	3, 592, 625
Total, $22\ 7-16d$ .....	561, 196, 810	52, 462, 804
On the continent, $21\ 5-16d$ .....	367, 700, 000	32, 652, 526
	928, 896, 810	85, 896, 810
In bales of 400 lbs. each, and £ at \$4 80..	2, 322, 242	\$412, 304, 688

It will be observed that the supply of 1864 was about one-half that of 1860, and at about twice the cost.

154. What advantages, if any, do the United States enjoy over other countries for the production of cotton, in respect to soil, climate, seasons, or position, as compared with India, Egypt, China, Japan, Algiers, and other cotton-growing countries?—I should say the advantages of the United States are in the climate produced by the Alleghany mountains and the Gulf Stream—the sea breeze bringing in the moisture of the Gulf Stream, which condensing upon the mountains falls in frequent showers, with seldom heavy storms—and in our fertile soil. Also, the prevalence of frost at the right season, killing off many of the bugs which would otherwise infest the cotton, and clearing the ground. It is a common mistake to suppose that a perennial cotton would be an advantage. As far as I know, perennial cotton in tropical countries deteriorates from year to year. The annual plant is the best plant for production, and yields the best staple. Our cotton plant is annual in our country, but perennial in a tropical country. The disadvantage of India is in a climate and soil not adapted to the best staple. India may change the quality of the cotton by taking better care in picking and in cleaning: I don't think that India can compete by raising a staple equal to the American.

155. Is the plant in India perennial?—It may be perennial; it is not so cultivated. Egypt produces a better cotton than this country, and could produce a

large quantity on the land existing; but the fact that, in carrying the production of cotton up to 300,000 bales, they have been obliged to become importers of food, shows the scarcity of labor, and the present limit of Egypt.

156. Does not the importation of food into Egypt this year arise from the fact of a short crop?—There is a short crop of food this year, from the murrain among cattle; but the very fact that a simple murrain among cattle has decreased the food supplies of this country to such an extent as to render its importation necessary, shows how great is the scarcity of labor. Egypt was formerly a great exporter of breadstuffs. China and Japan cotton will not be used to any extent in the face of a moderate crop of American. In South America, coffee and sugar are better crops than cotton at twelve pence a pound. The only climate and soil that would compete with us, as far as I can find out, are upon the Paraguay and Parana rivers, and any attempts at large cultivation there are hopeless for years to come.

157. Has cotton of any amount come from there?—It does not come from there.

158. How far have the United States reason to fear the rivalry of those countries, in case the price of cotton should not fall below twenty-five cents per pound in the seaports of the United States for several years to come?—I think, with cotton at twenty-five cents a pound, there would be no increase from other countries that would not be required by the natural consumption of cotton cloth in those countries. It would be chiefly from India; and India, with cotton at that price, would consume a great deal more than she ever has done.

159. At present prices, what proportion of this demand can be supplied by other than American cotton?—At present prices, the demand will exist for American cotton. The price to-day is fifty cents a pound for middling, in New York. At that price there would be a large increase in production all over the world. It would displace many other products that could not compete at twenty-five cents a pound. If the supply of American cotton were two million bales next year, I think it would be taken at thirty to fifty cents a pound, and all the cotton that could be raised elsewhere in the next year would also be taken. Given two million bales of American cotton from crop of 1865, I think it would be taken at or near forty cents a pound—three-fifths by foreign countries, two-fifths by this country; and that in the year 1866 other countries would give a million and a half of bales, of 400 pounds each, equal to six hundred million pounds. But that question is very difficult to answer intelligently. I should say that any answer is so problematical that it should not be made a basis of legislation.

160. How do foreign cottons compare with American, as regards quality and economy in manufacture?—The Egyptian and Brazilian cotton is better than New Orleans or Texas. It requires some slight alteration of the machinery to use it. The quantity has not been large enough to cause those alterations to be extensively made; consequently, the price of those cottons falls below that of New Orleans and Texas. That is the case now. But with a permanent supply equal to the present supply, mills would be altered, and would take that cotton at from one to two pence per pound—possibly three pence—above the price of New Orleans and Texas cotton. The Turkish and Smyrna cottons are rough and coarse, good only for coarse work, at a serious disadvantage with American in economy and quality. Japan and China cotton, as I have said before, will disappear from the European market in the face of a moderate supply of American cotton, as they are now doing. I come now to the India cotton; which, next to the American, is the largest supply. One-half or two-thirds of the East India cotton can be made into yarns and cloths, ranging from No. 14 to No. 20, and manufactured into the heavy goods which formerly composed our exports, in mills such as have been built, to a large extent, in England for the purpose of using them, at very little, if any, disadvantage in point of labor, and at very little disadvantage

in point of product; and if England should be allowed to produce Nos. 14 to 20 yarns from untaxed India cotton, and we were allowed no drawback on a similar class of goods made in this country, the export of those cotton goods would entirely cease from this country. The English goods would be, if not quite as good in quality, sufficiently near for all practical purposes, and the product of the mill would be very nearly the same. When you get up to from Nos. 20 to 30 yarns, (the average product of this country being 24,) India cottons are at a disadvantage, in the fact that they require much more labor on the part of the operatives; and, given a scarcity of labor, operatives will quit a mill working the Surats or Indias and go to a mill working the Americans. The product of a given mill, working on Surats, would be 20 per cent. less in quantity than the product of a mill working on Americans, on 20 to 30 yarn. They would still be worked to a large extent, both in England and this country, given a full supply of operatives. I now come to the point. India cottons, imported into England, have been exported to the continent, up to 1860, to the extent of nearly one-half, and sometimes more than one-half of the whole importation into England. They have gone to Germany, where there is a very large supply of cheap labor, and where the product of the mills is a coarse product; and I want to draw attention to the fact that the exports of England, consisting mainly of these short staple cottons, have kept up in 1861, '62, '63, and '64, to double the average of the years 1850 to 1854, and that the supply which has been exported from England must have given to continental spindles much nearer full work than the spindles of England were enjoying. If you go beyond No. 30 yarns—and I believe the majority of English spinning is nearer No. 40—India cottons are not available, except at a very great disadvantage. Again: if England had a market for heavy goods to the extent of the production of her spindles, the requirement in pounds of cotton to meet that demand, on those same spindles adapted to coarse work, would be three and possibly four times the requirement for No. 40's. Consequently, the supply of India cotton is a full supply for a small part of the spindles of England, half a supply for the spindles of Europe, and, up to this time, a very small percentage for this country, during the war. I dwell on this, because India is the chief source, outside of this country.

161. At this point, will you state what you mean when you speak of "yarns?"—No. 40 yarn is 40 skeins of 840 yards each to the pound; No. 20 yarn is 20 skeins of 840 yards each to the pound.

162. If middling cottons should average from twenty-two to twenty-eight cents in New York, from September, 1866, to September, 1868, and be in fair supply, what increase of importation, if any, should you anticipate from Japan, China, Egypt, and Brazil, into Europe, as compared with the importations from those countries in 1864?—With middling cottons at from twenty-two to twenty-eight cents in New York, I should anticipate a falling off, amounting almost to a stoppage of the Japan and China cotton; very little increase, if any, from Egypt and Brazil; a moderate increase from India. I think Bombay cotton will increase at above five pence a pound in Liverpool, but increase slowly.

163. So that, with the price at from twenty-two to twenty-eight cents per pound, the world would look to the United States for its principal source of supply?—Yes.

164. What were prices of upland cotton, of middling quality, at Liverpool, in July, 1860, 1863, 1864, in May, 1865, and July, 1865? If there was any decline in May last, to what was it due?—July, 1860, 7*d*; 1863, 21½*d*; 1864, 31¾*d*; May, 1865, 14½*d*; July, 1865, 19½*d*. The principal decline dated earlier than May. I should attribute it to the end of the rebellion, with the prevailing erroneous impression throughout the north, and in England, as to the stock of old cotton to come out from the south, in which I, if not as much mistaken as anybody else, was very much mistaken.

165. Are you in favor of an export duty on cotton, supposing all constitutional restrictions to be removed?—I am opposed to all export duties, as such, as justly

loading, in the long run, to sectional jealousy. I consider the reasons for which export duties were prohibited in the Constitution to have been well founded.

166. In default of an export duty, are you in favor of an excise tax on cotton?—I am in favor of an excise tax upon cotton, provided it be coupled with a drawback on cotton manufactures, and also provided it be a part of a system by which the industry of the country shall be relieved from the tax on the finished product; but, in my opinion, such tax should not exceed three cents per pound.

167. What discrimination would you make in the excise as regards cotton of different qualities?—I would make no discrimination. Cotton should be defined as "green-seed" and "black-seed," the black-seed cotton being the sea-island variety. As there are different qualities of the green-seed, or upland cotton, you want to encourage the production of the best quality, and therefore should make no discrimination against that. The production of the black-seed cotton is so small, the revenue derived from an extra tax upon it would be so trifling, and its cultivation is attended with so much risk, in consequence of the unhealthiness of the climate of the sea-islands, that it would not be worth while to make a discrimination against that. Again, there were in 1860 certain varieties of the black-seed cotton from Mexico, introduced upon the uplands, which produced a cotton about equal to Egyptian or Brazilian; and they are still in existence, for I have samples of that description in my office, which have been sent here for valuation. It is a little better than the best New Orleans or Texas, and fills a gap in the production of this country which we need to have filled. Now, if you discriminate by a higher tax upon sea-island cotton, it will be necessary to define what sea-island cotton is. If it is simply the cotton raised on the sea-islands, then that variety will be raised on the coast of Texas, and driven out of the sea-islands. If it is defined as the black-seed cotton, you check the introduction of this new variety, which is but little better than the New Orleans or Texas, and yet enough better to make it very desirable that it should be introduced. I should, therefore, make the excise tax uniform.

168. Why should you put the tax upon the raw material, rather than upon the manufactured article?—I think it would tend less to retard the development of the industry of the country. The tax of five or six per cent. upon the finished product is a very heavy burden, which will prevent the expansion of the cotton manufacture. At the present time it is equal to between eight and ten cents per pound on cloth. A tax of three to five cents per pound collected on the raw material both of this country and of foreign countries, I think would not operate as a check to the extension of the cotton-manufacturing industry.

169. If a moderate tax or export duty should be imposed on cotton, on whom would it fall—the producer or the consumer?—Eventually upon the consumer. But inasmuch as the average consumption of cotton per head of population during the year of the largest manufacture was not over twelve pounds, a tax of a few cents per pound upon that cotton is no burden whatever upon the people. I think it will come out of the consumer, but it is so trifling per head that it amounts to nothing as a burden. The same rule applies here as to other dry goods. While the supply of cotton is short, whether the tax be on or off will make no difference in the market value. A short supply will cause cotton to go to the highest point the market for goods will allow. At such times, a tax will be so much out of the profits of the producer; but while that state of things continues, the profits of the producer will be so great that he will have no valid reason to object to a small tax.

170. If we tax the raw material, and allow a drawback on the manufactured goods when exported, and the tax on the raw material is not so great but that we can compete in the production of cotton with other nations, is not the tax upon the raw material exported a levy upon the labor and capital of other countries, while the tax upon the manufactured article at home operates merely as a means of raising revenue; and there being a tariff which corresponds in

amount to the excise duty upon the manufactured goods, is it not wise to maintain a system of taxation, at the proper rate, upon both the raw material and the manufactures?—I speak not as a manufacturer in answer to that; I suppose for the present we could bear both; but I think if you tax both the raw material and the finished manufacture, you put a serious check upon the further development of manufacturing industry. That would be an injury to the country. It must be borne, if it is not to be avoided. I hoped that the system of *ad valorem* taxes on finished manufactures might possibly be given up, in favor of what is known as the English or concrete system, making cotton a part of that English or concrete system. I think that is much less of a burden upon the industry of the country.

171. Have you any suggestions to make in regard to the manner of collecting an excise duty on cotton?—I have, sir. I think it should be collected at the ports of export upon all foreign shipments, and of the factories upon the home supply, as a simple and easy method of collecting it. I think it will be impossible for the planters or cultivators to pay the tax. The system of cultivation is probably to change from large plantations to small freeholds. The small freeholders will not have money in hand to pay the tax when the crop is ready for market. There were in this country in 1860, all told, 915 establishments for the manufacture of cotton fabrics, of which 472 were in the New England States, 281 in the middle States, 19 in the western States, and 143 in the southern States. The factories in the southern States have diminished since that time, and the number of concerns in the north has decreased, by the change of many small concerns to woollen factories. I should say that of those 915 factories 300 probably use seven-eighths of all the cotton manufactured. It would, therefore, seem to me the most simple method to collect the tax of the merchants on cotton exported, and of the manufacturers on home consumption.

172. By this means homespun would escape taxation?—I would put in such clauses as would make it a little dangerous to manufacture at home without paying a tax, but I should not expect to collect much from it. In other words, I would not have any extra assessors for the purpose of collecting it, but I would allow the several assessors of the southern districts to collect it if they could.

173. In case of an imposition of an excise tax on cotton, would you recommend a drawback on the export of American manufactured cottons; and if so, to what extent?—I think it is essential, and for the reason given. The exports of this country, when they existed to the extent of about ten millions annually, I believe, were mainly of No. 14 sheetings and drills—coarse goods, generally; and those goods can be made in England of Surat cotton, without disadvantage as to amount of product or cost of labor. If there is no drawback upon American manufactured cotton, the export of coarse goods will cease utterly, and English goods, made from India cotton, will take their place. I want a drawback, because it is probable that we shall import India cotton to manufacture into coarse goods for exportation. A drawback on cotton fabrics is absolutely essential, and to the full amount of the tax on cotton, if we would maintain any export of cotton fabrics. Our export of cotton cloth formerly amounted to from \$7,000,000 to \$10,000,000 per annum. It consisted mainly of heavy goods made from No. 14 yarn. These goods can now be made in England, in mills which have been built or altered since the war for the purpose of spinning India cotton, and in such mills heavy goods can be made with scarcely any disadvantage in production or cost of labor from short-stapled cotton. Now, if England can make these goods from untaxed cotton, and send them to India and China, they can of course drive out our goods made from cotton on which either a tax or a duty has been paid. The drawback should be as many cents per pound, on the pound of cotton cloth exported, as are assessed as the tax upon raw cotton. The loss in manufacture from waste will be partly or wholly made up in the

sizing; and, as it is possible so to stuff cotton cloth with starch, clay, &c., as to make the cloth weigh more than the cotton, as the English do on nearly all their goods exported, an oath must be required from the exporter that the cloth proposed to be exported does not weigh more than the cotton from which it was made. A custom-house examination will also be required, and the penalty for attempting to evade this provision should be a forfeiture of the goods. Provision should, however, be made to allow those who wish to export goods which are stuffed with foreign substances, to claim the drawback on the actual weight of the cotton in the goods.

174. What effect would such a drawback have, in your opinion, on American manufacturing industry and commerce?—It would undoubtedly have a beneficial effect on American industry.

175. Would it enable us to supplant English goods in foreign markets?—As I have said, it would enable us to supplant English heavy goods, as we have done before, to a large extent, in China and in India. We shall not supplant English fine goods until we have learned to put in a great deal of material other than cotton.

176. Would drawback upon manufactured goods tend to stimulate the production of yarns in the southern States?—It would.

177. In the manufacture of cotton, what proportion of the manual labor is expended on weaving, and what proportion on the yarns?—There is much less labor on carding and spinning, and much less intelligent labor, than is required for weaving and finishing.

178. And that would all be in favor of the manufacturer of coarse yarns at the south, and would, to a certain extent, compensate for the want of a dense population?—Yes, sir.

179. Should you think that one-third of what is considered the ordinary labor devoted to cotton manufacture fell on the yarns?—I should think just about a third of the number of hands were employed in carding and spinning, and those the inferior hands, and two-thirds on the dressing and weaving. It requires skilled labor to produce yarns, but skilled labor of a very low grade.

180. In case of the imposition of an excise tax or an export duty on cotton, what duty, in your opinion, should be levied on imported manufactured cotton?—I should levy an import duty on the pound of cotton cloth, in a separate schedule from all other duties, of  $2\frac{1}{2}$  cents, if the tax on cotton is two cents; or  $3\frac{1}{2}$ , if the tax is three cents, (or  $3\frac{3}{4}$ , if it is worth while to split the fractions;) if five cents, it should be not less than  $6\frac{1}{2}$  cents. I would have that in a separate schedule, levied on the pound of cotton cloth or yarn imported, and have it clearly and distinctly understood that the one is not to be changed except the other is changed, and that it is a necessity to put the American manufacturer on an equality with the foreign manufacturer. The addition or fraction is to compensate for the waste; and by putting on the addition you make it incumbent on the foreign manufacturer to send cotton goods and not "starch" goods to this country. He will not pay the duty on the poor stuff; he will on the good. This should be in addition to any other duty. What the other duty should be, I leave to the general policy adopted in framing a tariff.

181. Should there be any duty on foreign cotton?—The duty on foreign cotton should be the same as the tax on American cotton. I cannot see any doubt about that.

182. Will an excise tax tend to sustain the prices of cotton, and what effect will it have on the price of wool? What was the product of the United States in 1860 in bales, and in millions of pounds, and at what rate could it then be raised? Were there any fertilizers or improved mechanism used in its production, and can they be used to advantage?—At present an excise tax would not have much effect on the price of wool. The high price of cotton has not yet had such an effect on the price of wool as I should have supposed it would. On

the other hand, the increase of the production of wool will by-and-by afford so large a supply as to affect the price of cotton. If cotton should remain at 50 cents a pound, it would then probably seriously interfere with its consumption. Fertilizers were very much used for a few years previous to 1860, and in 1860 upon the worn-out lands of North Carolina, South Carolina, and Georgia; that is to say, guano. It brought the worn-out lands up to the standard of the full product of fresh lands. It produced, perhaps, a coarser, but a very strong, good staple cotton, so that the North Carolina guano-grown cotton came to be known in our market as a specific article, useful for its strength and good fibre.

183. It produced an effect upon the cotton, then?—Undoubtedly. I don't know how much. I can't say, as Mr. Derby did, that a pound of guano produced a pound of cotton, but I think very probably. There were undoubtedly very many improved tools used in connexion with the cultivation of cotton during the last ten years. The crop per hand increased faster than the cultivators, as shown by the census. But improved methods in the cultivation of cotton cannot carry the product beyond the capacity of those who pick it. You can cultivate much more cotton per hand than that hand, with his family, can pick—probably three times as much. I suppose ten acres each is the limit of the picking capacity of a man and his wife, counted as two laborers, with the average number of children to aid them. That is to say, a family of the ordinary size, consisting of a man and his wife and three or four children, who can go into the field at the picking season, can get off the crop of twenty acres, perhaps more, on strong bottom land.

184. Suppose the crop had been only a hundred pounds on the worn-out lands, and, by the use of fertilizers, was increased to two hundred or three hundred; could the same force pick the increased crop?—I think they could pick it, because they would get more cotton from each boll and each manipulation and do no more travelling. Then an improvement in mechanism, which was a very important one, was made in the cotton-gin, by which they were enabled to pick boll and all, when the crop was in danger from heavy frosts, and put it through the gin, producing ordinary and inferior cotton, but yet saving so much more than formerly that it compensated for the depreciation of quality. I think that improvement increased materially the picking capacity of each hand during the latter end of the season.

185. How long before the war was that improvement introduced?—I don't know exactly—a few years. It was getting into general use in the southwest. When you have succeeded in inventing a picking machine, you can then increase the product very largely.

186. Have you or your associates taken any measures to ascertain the amount of cotton in the United States on the 1st of September, 1864, remaining from the crops of previous years, and the amount of the crop of 1865? State these amounts respectively. At what amount do you estimate the crops of cotton of 1866, 1867, and 1868, respectively, in the United States?—I have taken no measures to ascertain the amount of cotton on hand the 1st of September, 1864. I have taken measures to ascertain the quantity of cotton on hand at the date of the collapse of the rebellion; and one measure has been for an association of factories to send out an agent to travel through the south, going to the interior as well as to the great depots. From all the information I can gain, I doubt if there is more than 1,250,000 bales old cotton delivered after the date of the end of the rebellion. As to the crop of 1865, much more was planted than will be picked. It is impossible to tell what will be picked. I don't believe it will exceed 350,000 bales, and it is much more likely to be 250,000. As regards the crop of 1866, I would say that, under the stimulus of high prices, and the probability that the great profit will induce southern whites to make a crop upon small farms mainly by their own labor, I think a crop of 2,500,000 bales is possible, if there is seed enough in the country to plant it.

The power of King Cotton was in the control of the soil from which the cotton was produced. How vast the power, and how easily controlled by the few planters who owned the soil, may be realized from the following statement:

America produced, in 1860, 5,000,000 bales of cotton, enough to supply all the spindles of Europe and America; in that year all other cotton could have been spared. These 5,000,000 bales of cotton gave employment to 33,000,000 spindles in England, 12,000,000 on the continent, and 5,000,000 in America. These spindles, with their looms, bleacheries, and print works, represented a fixed capital of \$500,000,000. Upon these spindles the cotton, which, at ten cents per pound, represented a value of \$200,000,000, was raised by the labor of a little less than 1,000,000 operatives to a value of not less than \$500,000,000. These 5,000,000 bales of cotton represented, at a little over six bales to the hand, the labor of 800,000 human chattels, each of whom represented a cash value of \$1,200, or, in the aggregate, \$960,000,000, double the capital represented by the mills and machinery.

And on what basis rested this immense structure of labor, capital, and machinery? On a little patch of southern cotton land, which, if aggregated, would be only as large as Massachusetts and Rhode Island combined, only  $1\frac{3}{4}$  per cent. of the area of the cotton States; and which, if washed out by the Mississippi river into the Gulf, would hardly be missed after nine days' wonder. And this is the power which the war has transferred from slavery to freedom!

*Testimony of Samuel R. Payson, selling agent of the Manchester Print Works*

187. On whom do you think a tax on cotton would fall, the producer or consumer?—The consumer, eventually.

188. Do you confirm Mr. Atkinson's views, that at the present the tax is so much out of the manufacturers' pockets, to all intents and purposes?—Yes, I should say so. I should say that it made no difference in the price to-day whether it was taxed or not; the demand is in excess of the supply.

189. Do you confirm Mr. Atkinson's statement that the cotton manufacturers would not have stimulated the price of cotton goods to the present point if they could have avoided it?—I should not, as a manufacturer. I think it is a mistake. It is an injury to the manufacturing interests that cotton goods have been so high the last few months.

190. Will you explain how?—I think it creates a prejudice among the people against the manufacturing interests, particularly at the west. They say we are making all the money here at the east, and making more than belongs to us. As an illustration of the extreme variation in prices, I will say that we had some goods in the month of April that we sold at New York for about fifteen cents a yard, which have since been sold at forty-five cents a yard. The goods we are selling to-day at thirty cents a yard we were glad once, before the war, to sell for six and a quarter cents. If cotton for the last sixty days had been only fifteen cents a pound, I imagine goods would have brought about the same price.

*Testimony of Samuel Batchelder.*

191. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is Samuel Batchelder; I am over eighty years of age, and I have been engaged in the cotton manufacture fifty-seven years. I have been for many years connected



with the York mills at Saco, Maine, and the Everett mills at Lawrence, Massachusetts, as the treasurer of those companies.

192. If a moderate tax or export duty should be imposed on cotton, on whom would it fall, the producer or consumer? On the consumer principally, if not entirely: as, with a moderate duty, no other country could furnish the material in competition with this.

193. What amount of cotton was required, in 1860, to meet the demands of the manufacturing industry of the United States and Europe? What proportion of this demand was supplied by the product of the United States?—The latest reliable account I find is for 1859, from "Mann's Cotton Trade of Great Britain," who states the total imports of that year at 1,225,989,072 pounds, and the consumption at 976,600,000 pounds. It is estimated that four-fifths of the consumption was American cotton.

194. What was the average percentage increase of the consumption of cotton in the United States and Europe for the ten years prior to 1860; and what for the three years intervening from 1857 to 1860?—In relation to this country, to judge from the increase in the number of spindles, the increase of consumption must have been about 40 per cent., and in Europe more than 50 per cent. In Great Britain alone, according to their reports, the increase from 1850 to 1859 was more than 70 per cent.

195. What was the average percentage increase in the supply of cotton, during the same period?—So far as the increase in the supply of cotton may be inferred from the total imports into Great Britain, the increase would be 83 per cent. The quantity remaining on hand at the end of that time would show that there was a considerable increase of the production beyond the consumption.

196. Was there any accumulation of cotton cloth in 1860? Have the stocks of cotton goods in the hands of traders and of consumers in all parts of the world been diminished during the war? and if there be any deficiency, what demand for goods may be expected for some years to come?—There was a great accumulation of cotton goods in 1860, which has been much diminished, and the deficiency cannot be supplied until there is a great increase in the production of cotton.

197. What amount of cotton was made available for the manufacturing consumption of the United States and of Europe in 1863?—In 1863, the import of cotton into Great Britain is stated as follows:

	Bales.
American.....	132, 028
Brazil.....	137, 142
East India.....	1, 390, 791
Egypt and other countries.....	272, 201
	<hr/>
	1, 932, 162

If we call the average weight 400 pounds per bale, this would make 772,864,800 baleous. Of this was exported 660,950 bales, leaving for consumption 1,377,162 pnds—including what was on hand at the beginning of 1863—equal to 558,864,800 pounds. The stock on hand was thus reduced to 327,550 bales, instead of 699,300 bales in 1861, and the price of middling cotton advanced in October to 29½ pence.

198. What has been the respective increase in the supply of foreign cotton, under the stimulus of high prices, from 1860 to 1865, inclusive?—In 1862, there had been an increase in importation to Great Britain from—

	Cwts.
Greece and the Turkish Dominions of.....	43, 077
Egypt.....	526, 897
Africa and India.....	448, 792

New Grenada .....	10, 342
Brazil.....	208, 384
China .....	14, 695
	<hr/>
	1, 252, 187
	<hr/>

I have no data as to the further increase.

199. What advantages, if any, do the United States enjoy over other countries for the production of cotton, in respect to soil, climate, seasons, or position, as compared with India, Egypt, China, Japan, Algiers, and other cotton-growing countries?—Such are the advantages of the United States, in soil, climate, and seasons, that, with cotton at twenty-five cents per pound, there is no reason to fear any competition from other countries.

200. With the price of cotton ranging from twenty-five to forty cents per pound, what amount, in your opinion, will be required to meet the present annual demand for consumption in Europe and in the United States?—From two to three millions of bales.

201. At present prices, what proportion of this demand can be supplied by other than American production?—Probably one-third.

202. How do foreign cottons compare with American, as regards quality and economy in cotton?—Very unfavorably.

203. If middling cottons should average from twenty-two to twenty-eight cents, in New York, from September, 1866, to September, 1868, and be in fair supply, what increase of importation, if any, should you anticipate from Japan, China, Egypt, and Brazil, into Europe, as compared with the importations from those countries in 1864?—From Japan and China there would be no increase, as China usually receives a considerable part of her supply from Bombay; and there would be very little increase from Egypt or Brazil.

204. With cotton remaining at twenty-five cents per pound, what, in your opinion, is likely to be the increase in the demand for consumption in the next five years?—There would be required, in my opinion, five years hence, five millions of bales.

205. Has the termination of the rebellion given any check to the importation of cotton from China, Japan, and India, respectively, and is that importation at present diminishing?—Yes, from China and Japan, and probably also from India.

206. What is the relative value of a pound of middling American cotton, as compared with a pound of middling Surat?—At least fifty per cent. more, for almost all purposes.

207. In default of an export duty, are you in favor of an excise tax on cotton?—I am in favor of an excise tax equal to the present duty on imported cotton, which I take to be five cents.

208. In case of the imposition of an excise tax on cotton, would you recommend a drawback on the export of American manufactured cotton; and, if so, to what extent?—Yes, a drawback on the weight of exported goods equal to the excise or to the duty on imported cotton.

209. What effect would such a drawback have, in your opinion, on American manufacturing industry and commerce?—It would only have the effect of protecting us from foreign competition.

210. Would it not do more than that? Don't you think it would enable us to compete with foreign markets?—I think it would to a considerable extent. I don't think we shall have cotton, for some years to come, at so low a price that we shall do much in the export of cotton goods. We may, perhaps. Mr. Atkinson seems to think we may, even to the extent of importing East India cotton for the purpose of export, but I think that is very problematical.

211. To what extent, in your opinion, will the cotton crop of the United States, in 1866, affect the aggregate value of the entire product of the year? Which, in

your opinion, would produce to the planting interest the most money for 1866 and 1867—a crop of one, two, three, or four millions of bales?—The larger crop will produce the most money, until the demand is fully supplied. When you overstock the market, you then reach a point where your large crop will not produce so much as a small crop.

212. If the war had not intervened, what would have been the effect of the over-production at that time?—I think there would have been a breakdown in the cotton business, and a breakdown in the price.

213. Would that have been very disastrous to the south?—Yes, I think so. The south have had an erroneous view in regard to the effect of the manufacture of cotton on their interests, as was very fully explained by Mr. Nathan Appleton, when he was in Congress. He took the ground, which has since been completely justified, that it was for their interest to encourage manufactures at the north, where we were making principally coarse goods, and were supplying foreign markets that had ordinarily been supplied by the manufacturers of England, from other cotton than that of the south; and that, so far as we were manufacturing coarse goods, we were increasing the demand for their cotton. I have prepared a schedule of the prices of cotton for each month in the years 1861, '62, '63, '64, and '65, which may be considered the price at Boston or New York:

Month.	1861.	1862.	1863.	1864.	1865.
January .....	12 $\frac{3}{4}$ c.	34 $\frac{1}{2}$ c.	79 c.	79 $\frac{1}{2}$ c.	125 c.
February .....	12 $\frac{3}{4}$	23 $\frac{1}{2}$	89	81 $\frac{1}{2}$	79
March .....	12 $\frac{3}{4}$	26 $\frac{1}{2}$	72	78	68 $\frac{1}{2}$
April .....	13	28 $\frac{1}{2}$	64	74	74 $\frac{1}{2}$
May .....	13	28 $\frac{1}{2}$	61	80	58
June .....	15	30 $\frac{1}{2}$	52 $\frac{1}{2}$	63	42
July .....	15 $\frac{1}{2}$	41	63	163	48
August .....	17	48 $\frac{1}{2}$	66 $\frac{1}{2}$	173	44
September .....	20	54 $\frac{1}{2}$	73	165	43
October .....	23	58	73	.....	.....
November .....	23 $\frac{1}{2}$	63 $\frac{1}{2}$	81	124	.....
December .....	31 $\frac{1}{2}$	68	79	121 $\frac{1}{2}$	.....

These prices are the average between the highest and lowest for the month, and, where they are not the result of my own purchases, are stated upon reliable authority. During the highest rate, the average price has not exceeded 90 cents on making up our accounts for any six months ending in March or September. So that the cost of our goods has been made up upon an average cost of cotton not exceeding 90 cents, even when we had at times gone as high as \$1 73.

214. Is there not, at present, great discouragement to the extension of the business, in consequence of the great increase in the cost of building?—Yes, sir, of course.

215. How much more would it cost to start a new mill now than before the war?—So far as relates to the machinery, I think it would cost very nearly double what it would in 1860. The price of a great deal of the machinery has more than doubled. I have made contracts for machinery, within the last year or two, at more than double what it would have cost in 1859 and 1860.\*

\* According to a statement of Alderman Baynes, in a lecture delivered at Blackburn, and quoted and confirmed by Daniel Chadwick, in a paper read before the London Statistical Society, December, 1859, the cost of a spinning mill, with the requisite preparing machinery, is 24 shillings per spindle, say \$5 76, calculating the shilling equal to 24 cents. The cost of a weaving mill is estimated at £20 per loom. Estimating forty spindles to the loom, this would be, per spindle, \$2 88, which as our mills are usually organized both for weaving and spinning, would be, per spindle, \$3 64. There are few of our mills in this country that have cost less than \$17 to \$18 per spindle.

216. To what do you ascribe this great increase in the cost of machinery—to the currency, or taxes, or both?—To a certain extent, it is owing to the currency, but it is principally owing to the very extravagant rate of labor and all the materials that are used.

217. Do you not think it desirable that the greatest production of goods should be stimulated, by a repeal of the tax on manufactures, in order to increase the exports?—Of course it would be desirable.

218. Is there not some increase going on, notwithstanding these high prices?—I believe there are some instances where manufacturers are building, to extend particular branches of business that have been found to be profitable; but I should doubt whether that would be carried on to any considerable extent. I don't think there has been any increase. Perhaps there has been sufficient building to make up for the diminution by fire. A great many mills have been reorganized, and made so as to produce more; very many have been destroyed, and a great many converted to other purposes.

219. Do you think the cotton manufacture has held its own?—Yes, sir, about.

220. Are any mills being built for the manufacture of delaines?—That business is increasing. The market is not fully supplied with delaines, and there will probably be some further increase.

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*Testimony of Albert H. Kelsey.*

221. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is Albert H. Kelsey; I reside in Belmont, Massachusetts; occupation, builder. In 1863 and 1864 I was in the southwest for the purpose of buying cotton, and the season of 1864 and 1865 I was there for the purpose of raising cotton.

222. Are you in favor of an excise tax upon cotton?—I am not.

223. For what reasons?—For various reasons. In the first place, I look upon the condition of the south at the present time—and that condition, I think, will continue for several years to come—as such that every encouragement should be held out to produce from the soil. No restriction should be put on that will hinder production from the soil. I believe that all regulations imposed upon the production of cotton, in the way of an excise tax, would be a serious obstruction to the growth of the south. These opinions are formed from personal observation.

224. From your experience on the plantations, would you say this much—that, after the ensuing winter, you would leave both black and white free to make contracts, without the supervision of any branch of the government?—I will say this, that at the present time, if I could control the whole affair, I would leave it all to the people to do the business precisely the same as we do it here at the north to-day. Give any man the privilege to go south and purchase his land, or rent it, and hire such help as he can hire to the best advantage; and leave those in the south to work to the best advantage they can. Leave it open to the people to act. I should not wish to include the present winter in that plan.

225. Do you think there would be danger that the negro laborer, after the ensuing winter, would become a vagrant or pauper, or do you think that he would become a tolerably good laborer?—There would be a pretty good system of labor. There would be vagrants, paupers, thieves, and cut-throats—they will last some time; but yet there is sufficient intelligence there, in a great portion of them, to do what is best, if the people of the south are met fairly. They have an interest, and they learn it very quickly. Any restriction that has been put upon them, in any way, so far as my experience goes, has proved detrimental;

they are afraid of it; they don't know what to depend upon. Restrictions can be changed; they are changed; and uncertainty exists. I have seen myself that this has operated very badly, both for the south and the north; and the poorer class of people, I think, suffer most by it.

226. You allude to the restrictions that have fettered trade there?—Yes, sir; and to all restrictions. I am in favor of free trade as to home productions.

227. If an excise tax upon cotton were levied at the place of export, or at the mills where the cotton is consumed, and not on the plantations, would the tax be in any way detrimental to the producer?—No, sir. If it was levied at the mill, or at the port of shipment, the buyer would go into the country, purchase the article, and ship it at Charleston, Savannah, or New Orleans, and the planter would not be affected materially by that; but any restriction or tax that comes down to the people themselves, the masses, in my opinion, is bad.

228. Do you think that the effect of a tax on cotton of three cents a pound, collected of the producer, would prevent, to any extent, the emigration of northern men for the purpose of cultivating cotton?—I think it would to a certain extent. It would, I am confident, with those who have positive knowledge of the operation. Those who have not would think three cents a very small amount, and they would go, and go into the experiment.

229. Do you think that the tax could be levied at the place of export and at the mills?—I think the place of export is the only proper place to levy it and collect it, and it is the only place where you can collect it.

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*Testimony of William Dwight.*

230. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is William Dwight. I reside in Brookline, Massachusetts; and have been for the past fifteen years treasurer of manufacturing establishments running 120,000 spindles.

231. Are you in favor of an export duty or an excise tax upon the raw cotton?—I am in favor of a tax upon cotton, and I am in favor of a drawback to the American manufacturer, whenever he shall send his goods abroad.

232. To what extent?—Well, sir, I would give him the benefit of a drawback to the extent of half the tax.

233. Wouldn't you go above that?—I should like to go above it, if I could do so without exciting jealousy. Being a manufacturer, I don't wish the manufacturers favored, but I should like to go even above that. My view, in one word, on this subject is this: Last year you laid a tax upon us, on the amount of our sales, of five per cent. If the commission will look at an accurate calculation of that tax, they will see that it was a tax of six cents a pound on the cotton we used, and it would amount now to  $7\frac{1}{2}$  cents a pound. In addition to that, our tax is two cents a pound on cotton—making what is equivalent to a tax of  $9\frac{1}{2}$  cents a pound on cotton. We might just as well pay it in the form of a tax on cotton as to pay it in the form of a tax on sales, so far forth as it affects us; and we had much rather do it, with a view to putting ourselves on an equality with the foreign manufacturer, because, if he paid the same tax we do, we could compete with him in foreign markets which we cannot do now.

234. Can you give any estimate of the additional tax that falls upon the cotton manufacturer by reason of the tax on transportation, coal, starch, iron, &c.?—That is a very complicated matter to explain. The general statement would be this: Taking a mill organized as mine are, running from No. 14 to 25, on an average, the cost of production now will be just about double what the cost of production was in 1860; that is to say, it cost then about  $7\frac{1}{2}$  cents per pound

to produce those numbers at the mills, and now it costs about 15 cents per pound. Now, it is impossible for me to say how much of that increase is due to the increase of the tax on coal, how much to the increase on iron, and how much to one thing and how much to another. Of course we are very largely affected by all that kind of taxation, whatever it may be, but no more so than the rest of the community.

235. How do you overcome that difficulty in your competition with the English manufacturer?—We don't pretend to compete with England now.

236. You send out some goods to China, and various foreign ports, do you not?—Very little, sir. We had quite a brisk race with them six or eight years ago.

237. What effect do you think a drawback on manufactured goods would have on American industry and commerce?—I think it would enable us to compete with the foreigner. We shall gradually grow to it. I anticipate that the south, under the new condition of things that is coming, will be the competitor with the foreigner on the coarser fabrics. That is the destiny of the south, under the free-labor system to which she is coming. We are to go to the finer fabrics, as we naturally ought, or else our industry will rust. The south, as we leave the coarser fabrics, ought to enter into competition abroad with the foreign producer, and on the coarser fabrics she could do so. Well, then, you must give her some advantage in that respect. You must give her all the aid that a drawback would give. Let us pay a tax; let everybody pay an equal taxation; but when we are sent forth to compete with England in foreign markets, let us stand on an equality with her—with a little advantage, if you please.

238. Do you not think that the English manufacturer can make the coarse fabrics—that is, of the No. 14 yarn—out of untaxed Surat cotton with very little disadvantage in point of labor or product?—Very little indeed, sir.

239. Does not that point to the necessity of a drawback on our export of No. 14 yarn to the full extent of the tax?—Perhaps that is true. My own idea is, that you have, for many years to come, a free field of taxation upon cotton, without its affecting the price of the commodity. Up to seven cents, it would not affect, in my judgment, the price of the commodity. My own opinion is, that with two million bales of cotton raised in the United States, with industry as it is now, and as it will be, active throughout the world, the price will not rule less than 50 cents a pound until you increase the production of the United States beyond that amount; and when you bring it up to three million, the cost of American cotton, in my judgment, will not fall below 30 cents. You have, therefore, a free field for taxation. Take the case to-day. According to the theory of some, there are two million bales of cotton in the south to be thrown upon the markets of the world; according to others, perhaps a million and a half; but just as the idea of a million and a half prevails, up goes cotton on its way to 60 and 70 cents.

240. Do you recommend a tax of seven cents on the raw material as a substitute for the tax on the finished product?—I do, sir. I think the latter is the worst form in which a tax can be put on us, unless we are willing to confine our theatre, in all coming time, to the American trade. I hope we can keep that; but we ought to diversify; and we of the older parts of the country go to the finer fabrics and nicer manufactures, while the newer parts of the country take the coarser, where we have had our success. Although but very few, I suppose, would go with me in advocating this heavy taxation, my own convictions are very strong about it. The only evil that I can see as likely to come from it is, that it might at first discourage the southerner from undertaking to raise a crop, under the idea that he was to be heavily taxed. But I think the burden is not to fall upon him at all, any more than the burden falls on me to-day of this six per cent. on sales.

241. Have you any suggestions to make in regard to the manner of collecting

an excise duty on cotton?—I approve the plan suggested, of collecting the tax of the manufacturer and the exporter.

242. Do you not think that, for one or two years to come, cotton would bear a duty of even eight cents per pound?—Well, sir, we are paying what is equivalent to a duty of  $9\frac{1}{2}$  cents to day.

243. What does your cloth bring by the pound at present?—It brings from \$1 40 to \$1 50, speaking of the coarser fabrics.

244. Suppose you had a drawback of the whole amount of the tax; would it not give a great stimulus to the manufacturing interests of the country?—Undoubtedly it would.

245. In that case, do you think we could supplant the English manufacturer in foreign markets, on coarse goods?—Oh, without any difficulty, sir. I was willing, before these days, on all cotton fabrics up to No. 25, to fight the Englishman in an even contest.

246. What duty would you put on imported foreign cottons, in case of an excise tax of seven cents a pound?—Just what will give the government the most money. That is what we want. I think a very severe competition is the best thing for a man. He will be all the healthier for it. I will say, that I have examined the answers Mr. Nourse has prepared to the interrogatories of the commission, and I agree with him, except in regard to this matter of taxation.

OCTOBER 6, 1865.

*Testimony of B. F. Nourse.*

247. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is B. F. Nourse. I reside in Boston. I am a commission merchant. I bought cotton in the south from 1840 to 1857, and from 1857 to the present time I have been a buying agent for manufacturers. I am interested in the manufacture of cotton as buying agent, and as a stockholder in mills.

248. If a moderate tax or export duty should be imposed on cotton, on whom would it fall—the producer or consumer?—Depending upon the relation of supply and demand so completely, that it is impossible to fix any considerable period of time in which we could be certain that the tax would fall exclusively on either.

249. What amount of cotton was required in 1860 to meet the demands of the manufacturing industry of the United States and Europe? What proportion of this demand was supplied by the product of the United States?—In answer to this question I submit the following table:

	Bales.	Pounds.
United States, north.....	750, 000	360, 000, 000
United States, south.....	90, 000	38, 000, 000
	840, 000	398, 000, 000
Europe.....	3, 303, 000	1, 519, 000, 000
	4, 143, 000	1, 917, 000, 000
American total .....	4, 143, 000	1, 917, 000, 000
Foreign, Europe .....	800, 000	220, 000, 000
	4, 943, 000	2, 137, 000, 000
Total consumption, 1860 .....	4, 943, 000	2, 137, 000, 000

The American product being about  $88\frac{1}{2}$  per cent. of all.

250. What were the average prices of American and foreign cotton for 1860

at New York and Liverpool?—Middling American, in New York, 10 to 12 cents. No importation of foreign cotton in the United States worth quotation. In Liverpool—Middling American, 7 to 7½*d.*; middling Brazil, 8½ to 9*d.*; middling Egyptian, 8 to 8½*d.*; middling Surats, 5 to 5½*d.*

251. What was the average percentage increase of the consumption of cotton in the United States and Europe for the ten years prior to 1860; and what for the three years intervening from 1857 to 1860?—In Great Britain, for the ten years, an average of six per cent.; for the three years, 1857 to 1860, 8¾, 9½, and 10½ per cent., respectively. I have not the data for the continent, but think it was a little higher for the ten years; about the same for the last three years. In the United States, for ten years, an average of six per cent.; for three years, 2 7-10ths per cent. The fluctuations were remarkable. Thus: 1850-'51, decline 10.75; 1851-'52, increase 41.28; 1852-'53, decline 6.5; 1853-'54, decline 11.5; 1854-'55, increase 31.57; 1855-'56, decline 7.5; 1856-'57, increase 15.3; 1857-'58, decline 13.5; 1858-'59, increase 13.7; 1859-'60, increase 8.0.

252. What was the average percentage increase in the supply of cotton during the same period?—American crop, 1851, 2,355,257 bales; 1860, 4,675,770, an increase of 99 per cent., or about 10 per cent. per annum. The actual weight for 1860 was 460 pounds per bale. But the crop of 1860 was extraordinary; one million bales more than the next succeeding crop; a fair rate, therefore, is about eight per cent. per annum. The imports of foreign cottons to Europe was increased irregularly, from 520,000 bales in 1851 to 815,000 bales in 1860; average about six per cent. per annum. The import of 1857 was very large, under high prices, reaching 950,000 bales; falling off in 1858 to 600,000 bales. However, the import of India and China cotton to Europe is no measure of the production of those regions; yet it is the commercial product.

253. Was there any accumulation of cotton cloth in 1860? Have the stocks of cotton goods in the hands of traders and of consumers in all parts of the world been diminished during the war? and if there be any deficiency, what demand for goods may be expected for some years to come?—Yes, very large; since reduced to exhaustion. Excessive demand from scarcity, even more of goods than of raw material, makes high prices. Production is now stimulated to the utmost, and is, perhaps, gaining upon the demand. When it shall gain so far as to cheapen prices, consumption will also extend. The producing power (labor and machinery) is limited. Unless this be enlarged, it seems probable that goods will be scarce, and inadequate to the want, until renewed and extended production of cotton shall supply the raw material abundantly years hence.

254. Do the taxes of six per cent. on sales, the taxes on coal, starch, iron, transportation, and other things connected with the manufacture, increase the cost of the finished product; and if so, to what extent? What is the cost of making and delivering from the mill to the consumer a pound of cotton cloth now, and what was it in 1860?—These taxes have, at the present moment, no effect on the prices of cotton goods. Such are the scarcity and the demand that prices would be the same were these taxes abolished. It follows, therefore, that the producer now pays the tax on his product in so much reducing his profits. The question of who pays the duty or tax always depends on the relation of supply and demand, more or less. When excess of supply reduces prices to the minimum cost of production, plus taxes, the consumer must pay the tax, or production ceases. Scarcity of cotton and labor, and an expanded currency, have carried the cost of cotton goods to its present height.

255. What amount of American cotton was made available for the manufacturing consumption of the United States and of Europe in 1863?—Enough to supply a consumption of 4,000 bales per week in the northern States, and for some exportation. There was considerable import of foreign cottons for use here. I think I have set it high at 4,000 bales.



256. What amount available in 1864?—Same as in 1863, nearly. Greater demand and less supply, in the summer of 1864, threatening an exhaustion of supply for the time, and carrying the price of middling cotton in New York up to \$1 85 per pound.

257. From what sources was the cotton thus made available derived?—Mainly from southern States, with importation of ——— bales of foreign cotton.

258. What have been the average prices of American and foreign cotton at Liverpool since July 1, 1865?—Middling New Orleans, about 18½*d.* to 19½*d.*; middling Surats, about 11½*d.* to 12½*d.*; middling Egyptian, about 14*d.* to 16*d.*; middling South American, about 17*d.* to 18*d.*; middling China, about 10½*d.* to 11*d.*; middling Bengal, about 7*d.* to 7½*d.*

259. What advantages, if any, do the United States enjoy over those countries for the production of cotton in respect to soil, climate, seasons, or position, as compared with India, Egypt, China, Japan, Algiers, and other cotton-growing countries?—Every conceivable advantage, except cost of labor, and that outweighed also by superiority of product in quantity and quality.

260. How far have the United States reason to fear the rivalry of other countries, in case the price of cotton should not fall below twenty-five cents per pound in the seaports of the United States for several years to come?—Not at all.

261. With the price of cotton ranging from 25 to 40 cents per pound, what amount, in your opinion, will be required to meet the present annual demand for consumption in Europe and in the United States?—At 40 cents per pound, probably 2,000,000 bales of American; at 25 cents per pound, probably 3,000,000 bales of American.

262. At present prices, what proportion of this demand can be supplied by other than American cotton?—About one-half the entire demand in Europe; perhaps 60 per cent. There would be a large diminution down to the minimum as our prices fell here.

263. How do foreign cottons compare with American as regards quality and economy in manufacture?—Except for special uses of some long staple varieties, as Egyptian, Pernambuco, &c., all foreign cotton is greatly inferior to American.

264. If middling cottons should average from twenty-two to twenty-eight cents in New York from September, 1866, to September, 1868, and be in fair supply, what increase of exportation, if any, should you anticipate from Japan, China, Egypt, and Brazil into Europe, as compared with the importations from those countries in 1864?—Not any. Those prices and "fair supply" would exclude from European markets most of the cotton from Japan, China, Bengal, &c., and check the import of the better sorts of foreign.

265. With cotton remaining at twenty-five cents per pound, what, in your opinion, is likely to be the annual increase in the demand for consumption in the next five years?—Equal to the full capacity of labor and machinery. But cotton is not at twenty-five cents, and will not "remain" so until our production is greatly changed.

266. What were the prices of upland cotton, of middling quality, at Liverpool in July, 1860, 1863, 1864, in May, 1865, and July, 1865? If there was any decline in May last, to what was it due?—July, 1860, 7*d.*; 1863, 21½*d.*; 1864, 31¾*d.*; May, 1865, 14½*d.*; July, 1865, 19½*d.* There was a great decline, from 19 pence to 13½ pence, in March and April, 1865, due to excessive prices. These killed trade, decline began, panic ensued, one extreme producing the other, as usual.

267. What is the minimum price you allow for cotton for the next three years?—You might just as well ask a newsboy in the street. There are so many elements that no human being can tell. In the first place, you have got to tell what that very erratic body, the Congress of the United States, will do.

Then you have got to tell how the southern planters will take to the new system of labor.

268. Well, under the most favorable circumstances?—Under the most favorable circumstances, I should look for a production the third year that would carry cotton down to 20 cents. Under the most favorable circumstances to be imagined, I shouldn't suppose it would go below 20 cents. But the probabilities are, you will not get it much under 50 cents.

269. Has the termination of the rebellion given any, and what, check to the importation of cotton from China, Japan, and India, respectively? and is that importation at present increasing or diminishing?—As promising an immediate large addition of the old stock of American cotton, the end of the rebellion checked the imports of cotton from the east and stopped that from China and Japan. From India it is less than in 1864; but there will be large movements of the next India crop on the present range of prices, very likely equal to that of 1865.

270. What is the relative value of a pound of middling American cotton, as compared with a pound of middling Surat?—As 45 to 30, about.

271. Are you in favor of an export duty on cotton, supposing all constitutional restrictions to be removed?—Yes; a light duty, if it were free from constitutional objections, and could be regarded as exceptional, and not as an abandonment of the old policy.

272. What amount of export duty can, in your opinion, be imposed upon cotton, without detriment to the interests of the country?—Not any, directly.

273. In default of an export duty, are you in favor of an excise tax on cotton? Yes.

274. What amount of excise would you recommend per pound; and what discrimination would you make in the excise as regards cotton of different qualities?—Two and a half cents per pound; which I regard as the highest that can be levied without serious detriment to some of the most important interests of the country, in the present exigency, and enough for a large revenue. Although the fact may be that we are now paying, indirectly, a very much higher tax, it shows to the planter only a two-cent tax. Two and a half cents he will not object to. At present prices, he would not regard it at all; and, therefore, under the present price of cotton, a powerful stimulus is applied for improvement in the south for every planter to go to work, to reward labor fairly, to give to the negroes a portion of the crop and identity of interest in the success of the cultivation, and to pay wages regularly. These certainties being established, labor organizing itself at the south without difficulty, cotton-planting extends rapidly, and the country becomes prosperous. If you put upon it a duty even of five cents, you discourage one-half the planters from going into the enterprise; because they don't attempt to measure what other people will do. They say, "We shall have to pay this tax"—which is not the fact; the markets of the world will pay it until the demand is supplied. You put on a tax of ten cents, and I doubt if you get a product of a million of bales in two or three years. The old prejudice in regard to the tariff is such that you cannot make them believe they don't pay the tax. I have lived there twenty years, and speak from experience. You cannot beat the idea out of them. Take the article of gunny cloth, for instance. Even when they were buying it at little more than the duty, and the importers were losing enormously, they imagined they were paying the duty, and not the importer.

275. What tax do you think would check northern emigration to the south?—It would depend upon the extent of their intelligence, and the probability that could be presented to their minds of the prevalence of high prices, that would put this tax upon the consumer and not upon the producer.

276. If the tax were levied upon the buyer, and not upon the producer, would

that have any effect?—No; they would reason in this way, that the buyer paid them so much less for the cotton, on account of having to pay the tax.

277. Have you any suggestions to make in regard to the manner of collecting an excise duty on cotton?—I think the plan suggested by Mr. Atkinson would be a good one. I presume it would afford less opportunity for fraud than any other.

278. In case of the imposition of an excise tax of three cents on cotton, would you recommend a drawback on the export of American manufactured cottons; and if so, to what extent?—Yes, to the extent of two cents per pound of cloth, which would relieve him of about two-thirds the tax he had paid on the raw cotton.

279. What effect would such a drawback have, in your opinion, on American manufacturing industry and commerce?—None at all, in the present relation of supply and demand; but with such an increase of supply in relation to home demand as would materially reduce prices, it would have an encouraging effect on trade and industry.

280. Do you think it would enable us to supply foreign markets?—It would simply put us upon a level with the foreign manufacturer. We should have this advantage of position: we should have our own cotton, as he gets his own cotton, nearly duty free. It would put American cotton and American industry on a par, in neutral countries, (if I may use the term,) with England, on her India cotton. My opinion is, that you are going to see the price of cotton so high that we shall not compete in foreign markets, tax as you may. We are just now in a very anomalous condition of things, and he is a wise man who can say what our relations with other countries are to be.

281. In case of the imposition of an excise tax or an export duty on cotton, what duty, in your opinion, should be levied on imported manufactured cotton?—Whatever duty will produce most revenue, the main object of all tariffs and taxes, and not less than 25 per cent. above the tax on domestic manufacture.

282. Will an excise tax tend to sustain the prices of cotton, and what effect will it have on the price of wool? What was the product of the United States in 1860 in bales and in millions of pounds, and at what rate could it then be raised? Were there any fertilizers or improved mechanism used in its production, and can they be used to advantage?—No perceptible effect at present, if moderate—say  $2\frac{1}{2}$  cents per pound; nor would it now influence the price of cotton, other elements having controlling influence. The cotton crop of the United States, 1859-'60, was 4,675,770 bales—about 2,150,000,000 pounds. The crop of 1860-'61 was 3,656,086 bales, or about 1,682,000,000 pounds. Under slave labor, well managed, it was a profitable crop to produce and sell at eight cents. Good planters could make money on good lands at six cents; but when cotton was at that price land and negroes were very low in price, and the cost of labor in proportion. At ten cents, or higher, it encouraged rapid extension of planting, high prices for good field hands, employment of free labor in the hill country, and on all the old lands, as in the Carolinas and Virginia, a liberal use of fertilizers, such as guano, super-phosphates, &c., which greatly enlarged the product per acre, and improved its quality. There had been a rapid improvement in the manner of culture, use of more and better implements, and substitution of mule and plough for the hand-hoe in cultivating the fields, materially enlarging the product "to the hand" employed.

283. Have you or your associates taken any measures to ascertain the amount of cotton in the United States on the 1st of September, 1864, remaining from the crops of previous years, and the amount of the crop of 1865? State these amounts respectively. At what amount do you estimate the crops of cotton of 1866, 1867, and 1868, respectively, in the United States?—Yes; or rather, at the close of the war, which could not be very different from September, 1864, as to the quantity of old cotton on hand. I estimated, as the result

of inquiry, the amount of old cotton in the south in May, 1865, at 1,600,000 bales of merchantable stock; crop of 1865, 350,000 bales. No one can make an estimate worth having of the cotton crop before it is planted in ordinary times, much less in the disturbed and uncertain condition of affairs in the south now.

284. To what extent, in your opinion, will the cotton crop of the United States in 1866 affect the aggregate value of the entire product of the year? Which, in your opinion, would produce to the planting interest the most money for 1866 and 1867—a crop of one, two, three, or four millions of bales?—To the first part of the question I have no answer. To the second part I answer, that the largest quantity attainable will produce the most money to the planters and the most prosperity to the whole country.

285. In case an excise on cotton is imposed, what taxes on the manufacture of cotton should, in your opinion, be remitted?—If the tariff on foreign cotton goods be so high as, in effect, to be prohibitory of imports, the manufacturer here can bear heavy taxes. I am too ignorant of the details to give an opinion upon them.

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*Testimony of Erastus B. Bigelow.*

286. Are you in favor of an export duty or of an excise tax on cotton?—I am in favor of a duty on cotton, preferring the form of the excise.

287. To what extent do you think a duty could be imposed on cotton without detriment to our industry and production?—The amount of duty would, of course, necessarily depend somewhat upon the form in which it was applied, and the amount of the drawback on goods exported. As a general principle, high taxes are inexpedient, especially where there is a possibility of evasion in the collection; and I think there are reasons of public policy at the present time which would be opposed to a high tax on cotton. I have no doubt that we have a monopoly of the growth of cotton sufficient to justify a tax which would operate as an export duty; but it does not seem to me expedient, in view of the state of public affairs, to impose a duty to the extent to which it would be possible to maintain it, in view of the competition in the production of cotton abroad. My mind has been rather tending to three cents, possibly five—certainly not higher.

288. Have you had occasion to examine into the export duty levied by other countries on their products?—I have given some attention to the subject, and, as a general fact, the countries largely commercial have, to a considerable degree, abolished the system—England altogether, and France, I believe. There may be some exceptional case. But the sentiment of the commercial world is tending decidedly against the policy of export duties; and they are never resorted to now in the more enlightened commercial nations other than in exceptional cases, where they have a monopoly of any article. They have, for instance, in Rome an export duty on articles of *virtu*. There is an important illustration of the tendency of commercial nations in the instance of coal in Great Britain. They formerly had an export duty upon that article; and notwithstanding there are some apprehensions expressed in Great Britain of the early exhaustion of the coal-fields, still they have removed that duty, and allow coal to be exported. That probably affords as close a comparison with cotton in this country as any instance that could be cited.

289. What effect would an excise tax on cotton have on the price of wool?—Of course that would depend somewhat upon the rate of the tax, but I hardly think it would have any perceptible effect upon the price of wool, and probably not on the price of cotton until the supply is more abundant. A very high price for cotton would stimulate the production of wool.

290. Have any attempts to provide substitutes for cotton been, or do they promise to be, successful?—None of the fibres made from flax or other vegetable substances, which have come under my notice, are likely to become, in any considerable degree, a substitute for cotton, when cotton is at its ordinary price. Many of the fibres which have been produced from various vegetable plants may be mixed to some extent with cotton and with wool, but to a comparatively limited degree. As to whether those prepared fibres are likely to compete to any controlling extent with cotton, my opinion is, that there is no reasonable probability of it.

291. Has any measure of success attended the attempt to introduce flax cotton into this country?—I am not aware that any decided success has attended the spinning of flax cotton alone. It has been used to a limited extent. The success has been greater by mixing it with other fabrics.

292. It has been used to some extent for that purpose since the war?—Yes, sir.

293. And is now?—Yes, sir.

294. Does it improve or deteriorate the quality of the goods with which it is mixed?—It is claimed, in some instances, that it is no detriment to other fibres, where it is mixed with them; I am not aware that such mixture improves any fabrics. I wish it understood that I do not appear here as an expert at all; what I have said is based on general impressions and views.

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*Testimony of William Amory.*

295. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is William Amory. I reside in Boston. I am treasurer, and am operating mills to the extent of nearly 150,000 spindles, at Manchester, N. H.

296. Was there any accumulation of cotton cloth in 1860? Have the stocks of cotton goods in the hands of traders and of consumers in all parts of the world been diminished during the war? and if there be any deficiency, what demand for goods may be expected for some years to come?—I am under the impression that there was an accumulation of cotton cloth in 1860, that the stock was very much diminished during the war, and that it will create a very considerable demand for goods for some years to come; by that I mean two or three years.

297. Do the taxes of six per cent. on sales, the taxes on coal, starch, iron, transportation, and other things connected with the manufacture, increase the cost of the finished product; and if so, to what extent?—They do, I should think, to the extent of the amount of the tax.

298. How far have the United States reason to fear the rivalry of other countries, in case the price of cotton should not fall below twenty-five cents per pound in the seaports of the United States, for several years to come?—If it should not fall within ten years, I should think there would be a great amount of cotton raised in other countries, which would interfere more or less with our cotton. If the high prices are maintained for only two or three years, I don't think there is any danger of any further rivalry than now exists.

299. In default of an export duty, are you in favor of an excise tax on cotton?—One of the two, certainly; I don't think it very material which.

300. What amount of excise would you recommend per pound; and what discrimination would you make in the excise as regards cotton of different qualities?—As small as was consistent with raising a good revenue; because I believe it is quite desirable to avoid irritating the south, and they would look upon an excise tax upon cotton as an attack on them. Say from three to five cents.

301. Would you recommend a tax as high as five cents?—That would require

a great deal of deliberation. You would have to put a tax on which would raise a very large revenue; and if you found there were five million bales—which I think very likely to occur much sooner than my friends generally—I should think you could reduce it much lower than five cents. But you must raise a large sum of money—that is the first object; and therefore you have got to regulate the tax to the wants of the government.

302. In case of the imposition of an excise-tax on cotton, would you recommend a drawback on the export of American manufactured cottons; and if so, to what extent?—I should want to allow such a drawback as should, on investigation, be found necessary, in order to give the American manufacturer a little advantage in the sale of his goods abroad.

303. Do you think the effect of such a drawback would be to extend the American manufacture?—Yes, sir, in the north and the south, too. I think it very likely it would aid the south in that respect, inasmuch as the south in time will undoubtedly be able to manufacture the coarse goods, while we manufacture the finer. When that time comes, they will be benefited by this drawback.

304. If the drawback be to the whole extent of the tax, would it not give a very considerable stimulus to our exports?—Very great indeed, I should think.

305. What are you getting now for your goods?—We are realizing about a dollar a pound on the coarse goods, and on the finer from \$1 30 to \$2 a pound.

306. Then the present tax of 6 per cent. would range from six to twelve cents a pound?—Yes, sir. The average price would be about \$1 25 a pound.

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*Testimony of Francis B. Crowninshield.*

307. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is Francis B. Crowninshield; residence, Boston. I am treasurer and manager of the Merrimack Company. We make our own cloth and print it; we make something over twenty million yards of cloth a year, in ordinary times, and print it.

308. Are you in favor of an export duty or an excise tax upon cotton?—I think there is no objection to levying tax upon cotton. I take it, an export duty, as the law now stands, cannot be levied directly. I think a very large revenue may be collected by an excise tax upon cotton.

309. What amount would you recommend?—I have not considered the subject with any great care. I know some believe that a tax of ten cents a pound can be levied. My own impression would be that that would be a pretty high tax. I have thought that something like seven cents a pound might be levied and collected without any great damage to anybody, and yield a very large revenue. I don't mean to be very definite when I say seven cents, but somewhere about that. Of course, the rate of taxation would depend upon the price that cotton is to bear.

310. You would scale the tax according to the price?—I don't mean to say I would exactly do that; but suppose, for instance, that cotton is not to fall below twenty-five cents in the next three, four, or five years, I should say it would bear a tax of somewhere about seven cents. If it should go down to fifteen, I should think that tax too high.

311. In case of the imposition of an excise tax or an export duty on cotton, what duty, in your opinion, should be levied on imported manufactured cotton?—I think that care should be taken that this tax did not operate to discriminate against our own manufactures in any way. I think there should be a duty in addition, depending upon what the general policy of the country may be in regard to import duties.

312. Don't you think it would be advisable, as long as there is a scarcity of cotton, to admit the cheap India cottons at a comparatively low rate of duty?—I don't know but it might be; but I don't think there will be any great amount of India cotton used here, if we can get American. Of course, it will depend upon the price; but we are so accustomed to working American cotton that, unless the price should go to a very high pitch, there would not be a great amount of Surat imported.

313. What effect would a drawback on the export of manufactured cottons have on American industry and commerce?—Of course, if there should be a drawback on exports nearly or quite to the full amount of the tax, the tendency would undoubtedly be to greatly increase the export of American manufactured cottons, and especially of coarse goods. They have always had the preference abroad, wherever they could go, and whatever would enable us to export them cheaper than other manufacturers would be of great advantage. We have heretofore always excelled in coarse goods.

314. Don't you think that, if there is not a full drawback, the English-made heavy goods, from Surat cotton, will supplant our goods in the foreign markets?—Well, as to that, I think that our goods, made out of American cotton, would bear a considerably higher price than English would, made out of Surat cotton. But still, unless about the whole amount of the tax should be remitted, I think very likely they would compete very seriously with us; I think, however, that the natives of India and China, who consume the goods, would very soon find out, indeed, have already found out, that the American coarse goods are very much superior to the English. I have no doubt that, if we should put a high tax on cotton, all the foreign governments, and especially the British, would do everything they could to countervail us, and put obstacles and restrictions upon us in their colonies. I ought to have stated that we export chiefly coarse goods, of which the cotton forms their chief value. Now, whatever tax upon cotton is levied here that does not operate to raise the value of cotton to the foreign manufacturer, is a detriment, unless it is counteracted in some way to those mills that make goods for exportation. If they are subject to a special tax on cotton at home, unless they can have some drawback, or some equivalent allowed them when they export, it must be very injurious to them. I think the tax of six per cent. on sales is an oppressive tax.

315. To what extent, in your opinion, will the cotton crop of the United States in 1866 affect the aggregate value of the entire product of the year? Which, in your opinion, would produce to the planting interest the most money for 1866 and 1867—a crop of one, two, three, or four millions of bales?—Of course, that would depend upon the product of other countries; but, supposing things to remain about as they are, I rather think we should get as much for a crop of two millions of bales as for one of four, and very likely more. In fact, the figures show that the planters get more money, somewhat in proportion to the smallness of the crop. I mean, of course, to confine it to the planter himself. I don't mean at all to maintain that that would be for the interest of the country or the world at large.

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*Testimony of John A. Lowell.*

316. Are you in favor of an export duty or excise tax on cotton?—I see no objection to it at all.

317. In case an excise duty were levied, what amount would you recommend?—I have thought of the matter a good deal, and I have thought about five cents a pound would probably be a tax that would affect nobody. I happen to have some incidental evidence that it would not be objected to abroad. The French consul here asked me why the American government did not put an

excise duty on cotton. He said it would not be objected to abroad at all, as it was a natural thing to do, and would be the means of raising a great deal of revenue. I supposed (although he did not say so) that the fact that the French are cultivating cotton in Algeria had something to do with the suggestion.

318. Have you any suggestions to make in regard to the manner of collecting an excise duty on cotton?—I should think the plan suggested by Mr. Atkinson a good one.

319. In case of the imposition of an excise tax on cotton, would you recommend a drawback on the export of American manufactured cottons; and if so, to what extent?—Yes, sir; decidedly. The English policy has always been to allow a drawback on exports equivalent to any excise tax; and we ought, in order to meet that competition, to allow a drawback to the full amount of the tax.

320. Do you know whether any regulations have been adopted at any time, in India, by the Indian or the British government, with a view to discourage the importation into that country of American cottons?—There was, some years ago, a duty of six per cent. levied upon American drills in India, and I think that was found not sufficient, and it was raised afterwards to ten per cent. I have the fact very fresh in my memory, from the circumstance that, dining one day with a party of gentlemen in London, something was said about the illiberality of our protective policy; and I remember answering that, so far from their pursuing their own principles strictly in respect to free trade, I knew the fact (having been all my life a manufacturer of drills) that in India they charged a special duty on American drills for the sole purpose of enabling the English to compete with the American goods.

321. When were these duties levied?—I made this statement in 1850, and it was previous to that time.

322. Have you any reason to believe those duties are still operative?—I think they are still in existence.

323. Is it not a fact that the English manufacturers, not content with this, adopt your own trade marks?—We have accused them of that sometimes, and I believe with truth.

324. Was the demand for your drills for India increasing up to the time of the war?—No, sir; diminishing.

325. For what reason?—I always supposed it was owing to these differential duties. They were exported to a great extent to India, and there was an exportation to Mexico. The export to Mexico has not fallen off, but that to India has almost entirely ceased; I suppose because of these differential duties.

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*Testimony of E. R. Mudge.*

326. What is your name, residence, and occupation, and what opportunities have you had to acquaint yourself with the subject of cotton? Are you interested in the manufacture of cotton; and if so, in what capacity?—My name is E. R. Mudge; residence, Boston. I have been working cotton for about eighteen years; that is, I have been principal proprietor and treasurer of a mill for that length of time, and more recently I have had charge of several others.

327. Are you in favor of an export duty or excise tax on cotton?—I should not object.

328. To what extent?—I should say that from five to six cents might be imposed without detriment to the producing industry of the south for two or three years.

329. Do the taxes of six per cent. on sales, the taxes on coal, starch, iron, transportation, and other things connected with the manufacture, increase the cost of the finished product; and if so, to what extent?—It is stated that the



present cost of producing a pound of cloth, in which are included the labor and all the materials other than cotton, and the incidental expenses to which the mills are subjected in the manufacture, quite equals the selling price of the goods before the war.

330. At what rate are you selling woollen manufactures by the ounce?—From 13 to 25 cents. The lowest price pays no profit. Those at 25 cent have a mixture of silk. Flannels go at 13 cents; fancy cassimeres at 18 cents; silk-mixed goods and fine indigo blue, 22 and 25 cents. The flannels sold at 13 cents per ounce pay to the government at the rate of  $12\frac{1}{2}$  cents per pound, under the duty of six per cent. tax on sales; cassimeres pay at the rate of 17 cents per pound; and fancy goods pay at the rate of 24 cents a pound. The production of flannels being large they pay no profit; consequently the producer is now paying the tax, and the product will be immediately reduced, and the business thereby checked. We have stopped making flannels at one of our mills for this reason.

331. What is the shrinkage on the various classes of wools?—Mestiza, or South American wool, shrinks an average of 67 to 68 per cent., more frequently the latter, in sorting and scouring it. Cape of Good Hope wool about the same. The American fleece wools from 25 to 48 per cent., according to their fineness, the fine wool shrinking the most. Canada wool about 25 per cent. It is understood that there is a breed of sheep in Vermont whose fleeces weigh 28 pounds and yield only four pounds of wool.

## A P P E N D I X.

The following series of tables, compiled from various recent commercial reports, illustrate many points of interest in respect to the progress of the cotton trade and industry of the United States and Europe:

The following figures indicate the enormous deficit in the consumption of cotton and production of goods throughout the world, which have been occasioned by the short supplies and high prices of the last four years:

### *Total cotton consumed and goods and yarns produced.*

	Pounds of cotton consumed.	Pounds of goods and yarns produced.
From 1858 to 1861, inclusive—four years...	3, 973 200, 000	3, 545, 800, 000
From 1862 to 1865, inclusive—four years...	2, 245, 914, 370	1, 830, 730, 000
Deficiency .....	1, 727, 285, 630	1, 715, 070, 000

This enormous deficiency—equal to about two years' consumption and production of Great Britain—is therefore in arrear, and is in reality so much to be added to the ordinary wants of the cotton trade of the world; for it is clear that merchants and traders, as holders of stocks, and the public at large, as consumers, must be entirely without supplies, further than is necessary for their absolute requirements.

The actual home consumption of cotton goods in Great Britain is estimated at five and a half pounds in 1856, 1857, and 1858; at six pounds per head in 1859, 1860, and 1861; at three and a half pounds per head in 1862, with a reduction on this amount of ten per cent. in 1863, and a recovery of twenty per cent. in 1864. In 1865, the consumption, including the extra stocks held by retailers, was estimated at five pounds per head.

The consumption per head in the United States in 1859-'60, the highest point ever attained, was about twelve pounds per head.

The following table shows the estimated losses experienced in the cotton trade and manufacture in Great Britain from 1862 to 1865, inclusive:

Loss of interest of capital, and profits, to employers .....	\$185, 000, 000 to \$200, 000, 000
Loss of wages to operatives, &c.....	140, 000, 000 to 150, 000, 000
Total loss .....	325, 000, 000 to 350, 000, 000

About three-fifths of the loss in wages fell upon operatives engaged in spinning and weaving. Of the total amount, perhaps about one-fourth was recovered in the form of relief, and remuneration received for permanent or occasional employment in other branches of industry. The total sum distributed in charity alone amounted to about \$15,000,000.

#### RELATION OF THE EXCISE TO THE COTTON MANUFACTURE.

The following statement has been submitted to the commission by Edward Atkinson, esq., of Boston, showing the burden of taxation upon the cotton manufacturing interest at this date, March 22, 1866:

TREASURY DEPARTMENT, *March 22, 1866.*

A cotton mill, of 20,000 spindles, for the manufacture of medium sheetings 36 inches wide, of which  $3\frac{1}{2}$  yards would weigh one pound, being sheetings of medium quality, would cost at this time \$33 per spindle, and would require \$7 per spindle, working capital, but the existing mills would stand at about \$25 per spindle.

20,000 spindles, at \$25, \$500,000.

Such mill would consume in one year 1,650,000 pounds of cotton. The net value of the cloth made would be, at the price of to-day, about \$1,000,000, and at the price of to-day there would be a very small profit, if any.

#### *Taxes.*

1,650,000 pounds, at 2 cents .....	\$33, 000 00
Tax on \$1,000,000, net sales, at 6 per cent .....	60, 000 00
Taxes on supplies about.....	7, 500 00
Local taxes at low rate.....	7, 500 00

Total ..... 108, 000 00

Being over 20 per cent. on capital.

If the cotton tax is raised to 5 cents, and the tax on sales reduced to 5 per cent, the figures would stand:

1,650,000 pounds, at 5 cents .....	\$82, 500 00
Tax on sales .....	50, 000 00
Supplies and local.....	15, 000 00

Total ..... 147, 500 00

Being nearly 30 per cent. on capital.

The tax on the manufacture of wool is equally onerous, for although there is no direct tax on the raw material, the value of the manufacture is so much more in proportion to the capital invested in the mill and machinery as to make the tax even, of five per cent., on sales equal to 20 or 25 per cent. on the capital.

It may be added that the kind of cotton goods referred to in the foregoing statement can be manufactured in England from untaxed India cotton at very little, if any, disadvantage in cost or product as compared with the cost and product of goods : *American cotton.*

Table showing the importation of cotton into Great Britain, in bales and pounds, from 1861 to 1865, inclusive.

Descriptions.	1865.			Total in previous four years.				Average weight of packages past five years.				
	Bales.	Av. weight.	Pounds.	1864.	1863.	1862.	1861.	1865.	1864.	1863.	1862.	1861.
American .....	461,927	423	195,393,120	197,776	131,900	71,750	1,841,600	423	438	440	435	477
Brazil .....	340,261	160	54,441,760	212,192	137,960	133,810	100,000	160	180	180	180	190
Egypt .....	353,373	492	164,118,000	257,192	204,270	131,750	96,840	492	500	470	450	430
Turkey, &c. ....	80,363	350	28,066,050	61,793	44,430	14,800	960	350	353	344	.....	.....
West India, &c. ....	131,130	180	23,601,600	59,645	23,000	30,470	8,700	180	200	200	200	200
Surat .....	956,886	390	373,185,340	1,043,378	898,900	913,170	906,640	390	390	390	390	398
Madras .....	177,882	300	53,364,000	173,648	177,000	134,200	79,950	300	300	300	300	300
Bengal .....	131,757	300	39,527,000	182,488	153,000	30,070	.....	300	300	300	300	300
China and Japan .....	141,610	240	33,966,400	389,074	161,800	2,980	.....	240	240	200	200	.....
Total .....	2,755,321	355	965,727,070	2,587,096	1,932,200	1,445,000	3,035,700	355	347	364	360	415

Table showing the consumption of cotton in Great Britain from 1861 to 1865, inclusive, with weekly average.

Descriptions.	1865.			Total previous four years.				Average per week.				
	Bales.	Av. weight.	Pounds.	1864.	1863.	1862.	1861.	1865.	1864.	1863.	1862.	1861.
American .....	281,050	423	118,884,150	158,730	108,300	250,550	1,808,700	5,405	3,032	2,282	4,816	34,782
Brazil .....	218,970	160	35,035,200	155,800	104,850	100,910	85,000	4,211	2,997	2,151	1,940	1,637
Egypt .....	297,350	492	146,296,300	230,910	195,770	120,650	108,600	5,718	4,441	.....	2,320	2,089
Turkey, &c. ....	78,680	350	27,531,000	55,830	34,230	17,400	12,800	1,513	1,073	.....	290	244
West India, &c. ....	109,080	180	19,634,400	46,380	17,000	15,070	12,800	2,097	892	305	.....	.....
East India .....	876,030	376	329,383,520	739,390	758,850	698,320	348,500	16,847	14,219	17,169	13,428	6,702
China and Japan .....	173,600	240	41,664,000	219,350	84,100	.....	.....	3,338	4,218	.....	22,794	45,454
Total .....	2,034,730	353	718,428,470	1,606,390	1,303,500	1,185,500	2,363,600	39,129	30,892	26,492	22,794	45,454

Description.	1865.			Total previous four years.			
	Bales.	A.v. weight.	Pounds.	1864.	1863.	1862.	1861.
American .....	60,190	423	25,460,370	53,860	55,500	86,800	962,700
Brazil .....	101,550	160	16,248,000	49,560	57,050	25,700	1,700
Egypt .....	30,520	492	15,013,840	22,680	16,000	9,000	3,000
Turkey, &c .....	5,850	350	2,047,500	6,720	4,900	}}	}}
West India, &c .....	15,070	180	2,712,600	9,700	5,100	3,800	700
East India, &c .....	620,160	347	215,195,320	471,880	553,950	}}	}}
China and Japan .....	57,490	940	13,797,600	118,050	42,600	439,600	409,100
Total .....	890,830	326	290,477,430	732,480	735,100	564,900	677,900

*Table showing the stock of cotton held in Great Britain on the 31st December, each year, from 1861 to 1865, inclusive.*

Description.	1865.				Total previous four years.				Estimated stock held by spinners at the close of each year.			
	Bales.	Av. weight.	Pounds.	1864.	1863.	1862.	1861.	1865.	1864.	1863.	1862.	1861.
American .....	144,065	423	50,930,495	23,371	26,200	70,300	283,400	30,000	3,000	4,200	6,700	75,000
Brazil .....	36,078	160	5,772,480	16,336	9,500	32,500	27,300	10,000	4,000	4,000	4,500	3,600
Egypt .....	28,407	492	13,966,244	22,700	19,200	26,200	9,600	12,000	7,000	7,500	4,800	5,000
Turkey, &c .....	2,630	350	920,500	6,838	7,600	2,300		3,000	2,000	2,000	1,000	600
West India, &c .....	11,532	180	2,075,760	4,565	1,000	2,000	400	3,000	2,000	2,000		
Surat .....	128,740	390	50,208,600	241,399	157,700	252,980	340,550	43,000	60,000	32,300	31,000	15,800
Madras .....	30,400	300	9,120,000	70,122	33,500	35,270	38,050	2,000	14,000	50,000	50,000	100,000
Bombay .....	16,340	300	5,502,000	85,621	27,700	12,500						
China and Japan .....	5,296	240	1,271,040	94,775	33,100							
Total .....	405,488	345	139,776,119	575,797	327,500	433,900	699,300	90,000	90,000	50,000	50,000	100,000

Comparative table of the total yearly and weekly average consumption of the various countries of Europe for the years 1805, 1864, 1863, 1862, and 1860.

Countries.	Yearly totals, in thousands of bales.					Weekly averages, in bales.					Yearly totals, in millions and tenths of pounds.				
	1865.	1864.	1863.	1862.	1860.	1865.	1864.	1863.	1862.	1860.	1865.	1864.	1863.	1862.	1860.
Great Britain .....	2, 034	1, 606	1, 304	1, 146	2, 633	39, 115	30, 885	25, 067	22, 035	50, 633	712.4	574.3	470.2	429.2	1, 126.9
France .....	569	406	342	311	10, 943	10, 943	7, 808	6, 577	5, 861	11, 942	185.2	143.2	130.5	127.0	263.7
Holland .....	106	111	138	79	621	2, 039	2, 115	2, 654	1, 319	2, 350	34.3	36.2	48.8	29.7	48.3
Belgium .....	27	22	37	18	64	1, 442	4, 423	711	1, 321	9.1	81.0	7.5	54.8	7.0	26.5
Germany .....	256	179	161	102	307	4, 993	3, 442	3, 096	1, 961	5, 904	81.0	57.9	54.8	38.3	127.1
Trieste .....	56	28	26	35	77	1, 077	538	500	673	1, 492	22.1	10.9	11.3	14.7	31.7
Genoa .....	27	17	23	13	72	519	327	461	250	1, 385	10.2	5.7	8.3	5.2	31.0
Spain .....	93	91	110	62	106	1, 768	1, 768	2, 096	1, 577	2, 039	29.4	28.2	39.4	31.9	48.4
Russia and minor ports .....	280	223	184	124	324	4, 462	4, 268	3, 536	2, 364	6, 211	89.9	78.1	66.2	47.6	137.1
Total .....	3, 448	2, 683	2, 325	1, 910	4, 321	66, 308	51, 576	44, 900	36, 736	83, 077	1, 189.6	941.9	942.6	730.6	1, 944.7
United States, (exported from Great Britain) .....	.....	41	37	52	.....	.....	788	712	1, 000	.....	.....	14.3	13.3	19.9	.....
Total .....	3, 448	2, 724	2, 362	1, 962	4, 321	66, 308	52, 364	45, 612	37, 736	83, 077	1, 189.6	956.2	955.9	750.5	1, 944.7

Table showing the cotton consumption of Europe, with the sources of supply, in average periods of five years, in thousands of bales and millions of pounds.

	In thousands of bales.					In millions of pounds.				
	1821-25.	1826-30.	1831-35.	1836-40.	1841-45.	1846-50.	1851-55.	1856-60.	1861-65.	1866-70.
I.—Consumption:										
Great Britain.....	553	711	903	1, 156	1, 368	1, 458	1, 805	2, 265	1, 669	1, 554
France .....	506	263	278	372	415	355	442	527	606	577
Rest of Europe.....	130	147	182	257	314	421	698	963	756	34.9
Total .....	889	1, 122	1, 363	1, 785	2, 097	2, 234	3, 005	3, 756	2, 865	2, 468
—Sources of supply:										
America .....	496	707	929	1, 273	1, 615	1, 711	2, 290	2, 965	2, 793	2, 577
Brazil .....	173	169	175	142	103	131	140	153	901	20.4
West India, &c.....	56	53	39	73	37	30	30	35	73	16.8
East India, &c.....	73	77	129	139	196	233	332	540	1, 380	32.4
Egypt, &c.....	89	110	123	138	122	129	214	162	418	19.5
Total .....	869	1, 122	1, 363	1, 785	2, 097	2, 234	3, 005	3, 756	2, 865	2, 468

*An estimate of the weight and value of the total production of cotton manufactures in Great Britain, with the cost of production, and the balance remaining for interest of capital and profits for each of the past ten years.*

Articles.	1856.	1857.	1858.	1859.	1860.	1861.	1862.	1863.	1864.	1865.*
	Pounds.	Pounds.	Pounds.	Pounds.	Pounds.	Pounds.	Pounds.	Pounds.	Pounds.	Pounds.
Cotton consumed .....	891,400,000	885,027,000	907,836,000	977,633,000	1,079,321,000	1,005,477,000	449,891,000	476,445,000	561,196,000	718,651,000
Less waste in spinning .....	93,600,000	86,627,000	95,383,000	102,651,000	113,328,000	105,573,000	76,469,000	71,468,000	78,367,000	100,611,000
Yarn produced .....	797,800,000	798,400,000	812,513,000	874,982,000	965,993,000	899,902,000	373,352,000	404,979,000	482,829,000	618,040,000
Exported in yarn .....	181,495,000	176,621,000	200,017,000	192,206,000	197,343,000	177,848,000	88,554,000	70,678,000	71,951,000	98,400,000
Exported in piece goods, apparel, &c .....	413,235,000	406,489,000	452,646,000	500,866,000	542,770,000	496,284,000	324,128,000	321,561,000	332,046,000	379,780,000
Retained for home consumption and stock .....	203,070,000	155,290,000	159,850,000	181,910,000	225,880,000	225,770,000	*39,330,000	12,740,000	78,630,000	139,800,000
Total as above .....	797,800,000	798,400,000	812,513,000	874,982,000	965,990,000	899,902,000	373,352,000	404,979,000	482,829,000	618,040,000
Declared value of yarn exported .....	28,028,000	28,700,000	27,579,000	29,458,000	29,870,000	29,292,000	27,523,000	28,678,000	29,467,000	210,377,000
Declared value of piece goods, apparel, &c., ex- ported .....	33,840,000	34,408,000	37,025,000	43,059,000	46,248,000	41,514,000	38,616,000	49,046,000	53,100,000	52,330,000
Estimated value of home consumption, &c .....	20,880,000	16,730,000	16,480,000	19,706,000	24,470,000	23,525,000	*3,413,000	2,070,000	13,740,000	21,000,000
Total value of goods produced .....	62,748,000	59,838,000	63,084,000	72,223,000	80,588,000	74,331,000	42,736,000	50,795,000	76,307,000	83,607,000
Cost of cotton consumed .....	22,749,000	24,805,000	24,811,000	27,577,000	28,910,000	32,205,000	26,734,000	40,689,000	52,462,000	47,257,000
Paid in wages and other expenses .....	27,565,000	28,445,000	27,910,000	30,330,000	33,000,000	31,380,000	14,530,000	15,690,000	18,680,000	23,850,000
Total expenditure .....	50,314,000	50,250,000	52,721,000	57,907,000	62,910,000	63,585,000	41,264,000	56,379,000	71,142,000	71,107,000
Balance left for interest of capital and profits .....	12,434,000	9,588,000	10,363,000	14,316,000	18,078,000	10,766,000	1,472,000	3,416,000	5,165,000	12,500,000

\* Excess of export over production to be deducted.

*Table showing the export of cotton goods and yarn from Great Britain to the chief districts of the world in each of the following years.*  
 [The figures represent millions and tenths of yards and pounds.]

Articles.	1820.	1825.	1830.	1835.	1840.	1845.	1850.	1855.	1860.	1865.
<b>Piece goods:</b>										
To Germany and Holland.....	67.3	51.9	54.3	65.3	70.9	69.8	77.1	98.0	102.0	83.7
To Portugal, Azores, and Madeira.....	15.5	21.1	22.2	36.1	38.9	42.6	50.0	60.3	62.9	43.6
To Gibraltar and Malta.....	18.7	16.0	7.6	19.0	31.7	33.5	23.9	49.4	42.3	33.2
To Italy and Austria.....	26.2	27.3	53.3	34.7	58.9	52.4	71.1	80.4	53.3	63.7
To Turkey, Syria, and Egypt.....	7.9	12.1	33.5	37.3	58.0	137.0	165.6	358.6	312.0	313.9
To West and South Africa.....	1.6	2.0	6.5	8.0	16.6	21.0	28.3	39.9	45.8	20.1
To British North America.....	3.1	6.3	11.4	16.9	94.1	33.0	35.3	17.4	37.4	30.6
To United States.....	23.8	45.7	49.3	74.9	32.1	31.2	104.2	184.6	226.8	126.5
To West Indies and Central America.....	34.3	59.5	56.9	73.2	104.2	112.5	146.9	168.3	156.0	191.9
To Brazil.....	18.6	40.7	46.2	58.8	76.8	87.0	103.0	125.0	156.2	111.5
To other South American States.....	.....	21.6	26.3	39.6	73.5	72.3	75.2	105.4	175.5	86.2
To British East Indies.....	14.2	18.6	52.2	51.8	145.1	229.3	314.4	467.4	495.1	553.2
To China and Hong Kong.....	.....	3.5	4.7	11.2	13.5	108.4	73.2	74.0	223.0	136.0
To Java and Philippine Islands.....	0.2	0.7	1.2	2.3	16.4	25.9	31.1	44.8	101.2	58.1
To Australia.....	19.5	8.4	19.0	16.8	25.5	15.7	13.4	13.4	22.4	25.8
To other countries.....	.....	.....	.....	.....	25.5	24.7	43.2	52.8	192.3	153.4
<b>Total yards.....</b>	<b>250.9</b>	<b>336.4</b>	<b>444.6</b>	<b>537.5</b>	<b>790.6</b>	<b>1,091.7</b>	<b>1,352.2</b>	<b>1,937.7</b>	<b>2,776.2</b>	<b>2,031.4</b>
<b>Total value, pounds.....</b>	<b>13.2</b>	<b>14.2</b>	<b>14.1</b>	<b>15.2</b>	<b>16.3</b>	<b>18.0</b>	<b>20.5</b>	<b>26.1</b>	<b>40.3</b>	<b>45.2</b>
<b>Yarn:</b>										
To Russia.....	8.8	9.0	18.5	21.1	16.9	18.2	4.3	4.0	3.1	1.7
To Germany and Holland.....	11.9	19.8	29.1	41.7	63.5	65.4	70.8	71.8	92.4	45.8
To Italy and Austria.....	1.3	2.4	8.4	7.0	11.5	13.0	15.6	23.6	20.5	15.5
To Turkey.....	0.5	0.6	1.5	1.6	3.2	5.8	4.7	9.0	19.6	8.2
To British East Indies.....	.....	0.2	4.9	5.4	16.0	16.8	21.0	28.9	30.7	15.2
To China and Hong Kong.....	.....	0.6	2.2	2.8	1.8	2.8	3.1	2.8	8.8	1.2
To other countries.....	0.5	0.6	2.2	3.6	5.4	13.3	11.9	19.1	22.2	15.6
<b>Total pounds.....</b>	<b>23.0</b>	<b>32.6</b>	<b>64.6</b>	<b>83.2</b>	<b>118.4</b>	<b>135.1</b>	<b>131.4</b>	<b>165.5</b>	<b>197.3</b>	<b>103.2</b>
<b>Total value, pounds.....</b>	<b>2.8</b>	<b>3.2</b>	<b>4.1</b>	<b>5.7</b>	<b>7.1</b>	<b>6.9</b>	<b>6.4</b>	<b>7.2</b>	<b>9.9</b>	<b>10.3</b>

[The figures in thousands of bales.]

Articles.	1821 to 1825.	1826 to 1830.	1831 to 1835.	1836 to 1840.	1841 to 1845.	1846 to 1850.	1851 to 1855.	1856 to 1860.
<b>Production:</b>								
States in the Mississippi and Texas, <i>via</i> New Orleans, &c.....	178	302	424	673	874	983	1,377	1,900
Alabama, <i>via</i> Mobile.....	50	84	143	285	421	410	546	646
Florida, <i>via</i> Apalachicola, &c.....	2	16	29	96	141	161	168	154
Georgia, <i>via</i> Savannah.....	160	316	232	267	246	285	338	400
South Carolina, <i>via</i> Charleston.....	130	182	194	249	314	341	449	458
North Carolina and Virginia.....	50	91	69	44	28	21	42	63
<b>Total crop .....</b>	<b>570</b>	<b>849</b>	<b>1,111</b>	<b>1,624</b>	<b>2,024</b>	<b>2,211</b>	<b>2,882</b>	<b>3,621</b>
<b>Distribution:</b>								
Export to Great Britain.....	370	539	673	966	1,181	1,180	1,595	1,970
Export to France.....	85	173	202	308	347	308	387	464
Export to other places.....	25	46	41	88	172	929	323	485
<b>Total exports.....</b>	<b>480</b>	<b>758</b>	<b>916</b>	<b>1,362</b>	<b>1,700</b>	<b>1,717</b>	<b>2,305</b>	<b>2,919</b>
Consumption of United States, (north of Virginia only).....	80	114	183	255	325	477	576	678
<b>Total deliveries.....</b>	<b>560</b>	<b>872</b>	<b>1,109</b>	<b>1,617</b>	<b>2,025</b>	<b>2,194</b>	<b>2,881</b>	<b>3,597</b>
<b>Stock, close of season.....</b>	<b>25</b>	<b>35</b>	<b>56</b>	<b>5</b>	<b>91</b>	<b>163</b>	<b>196</b>	<b>119</b>



## SPECIAL REPORT No. 4.

*Report of the United States revenue commission on sugar and molasses as sources of national revenue.*

## TREASURY DEPARTMENT,

*Office of the United States Revenue Commission, January, 1866.*

SIR: The following table shows the estimated consumption of foreign and domestic cane-sugar in the United States (excluding the States on the Pacific) for the years ending December 31, from 1852 to 1865, inclusive:

Years.	Foreign.	Domestic.	Total.	
	Tons.	Tons.	Tons.	Pounds.
1852 .....	196, 558	118, 659	315, 217	706, 086, 000
1853 .....	200, 610	172, 379	372, 989	835, 495, 360
1854 .....	150, 854	234, 444	385, 298	863, 067, 520
1855 .....	192, 604	185, 148	377, 752	846, 164, 480
1856 .....	255, 292	123, 468	378, 760	848, 422, 400
1857 .....	241, 765	39, 000	280, 765	628, 913, 600
1858 .....	244, 758	143, 634	388, 392	869, 998, 080
1859 .....	239, 034	192, 150	431, 184	965, 852, 160
1860 .....	296, 950	118, 331	415, 281	930, 229, 440
1861 .....	241, 420	122, 399	363, 819	814, 954, 560
1862 .....	241, 411	191, 000	432, 411	968, 600, 640
1863 .....	231, 308	53, 000*	284, 308	636, 849, 920
1864 .....	192, 660	28, 000	220, 660	490, 278, 490
1865 .....	345, 809†	3, 500	349, 309	782, 452, 160

## ANNUAL AVERAGES, IN TONS.

	Foreign.	Domestic.	Total.
Five years—1852-'56 .....	199, 183	166, 820	366, 003
Five years—1857-'61 .....	252, 786	123, 103	375, 889
Four years—1862-'65 .....	252, 797	69, 250	322, 047
Ten years—1852-'61 .....	225, 985	144, 961	370, 946

\* The bulk of the crop of Louisiana and Texas in 1862, and a part of 1861, was distributed in 1863.

† The great increase in the demand for foreign cane-sugars experienced during the year 1865 cannot be considered as normal and legitimate. The west, and especially the south, were in a great measure destitute of sugars at the close of the war, and the great demand which sprung up since that period has been rather to supply a vacuum than a legitimate increase in consumption.

## ANNUAL AVERAGES, IN POUNDS.

	Foreign.	Domestic.	Total.
Five years—1852-'56.....	446, 169, 920	373, 676, 800	819, 846, 720
Five years—1857-'61.....	566, 240, 640	275, 750, 720	841, 991, 360
Four years—1862-'65.....	566, 265, 280	155, 120, 000	721, 385, 280
Ten years—1852-'61.....	506, 206, 400	324, 712, 640	830, 919, 040

From the above table it appears that the average annual consumption of *foreign* cane-sugars in the Atlantic States, from 1852 to 1856, inclusive, was 446,169,920 pounds, and of *domestic* cane 373,676,800 pounds, making an *aggregate* of 819,846,720 pounds. During the next series of five years, or from 1857 to 1861, inclusive, the average annual consumption of *foreign* cane-sugars was 566,240,640 pounds, showing an increase of twenty-seven per cent.; while the average annual consumption of *domestic* cane-sugars was 275,750,720 pounds, showing a decrease of twenty-six and a quarter per cent.; making in all, for these five years, an average annual *aggregate* consumption of 841,991,360 pounds.

The effect of the war on the consumption of sugars in the United States first manifested itself in a striking degree in 1863. The crop of domestic cane-sugar in 1862 was unprecedentedly large, and for the State of Louisiana alone yielded 459,410 hogsheads; or for the three States of Texas, Louisiana, and Florida, was estimated at upward of 241,000 tons. The bulk of this crop was mainly distributed for consumption in 1862; the receipts at the port of New York from New Orleans alone, in 1862, after the latter port came into the possession of the government, having been, with the exception of 1854, the largest ever known in the trade in any single year. The total consumption of cane-sugar (*foreign* and *domestic*) for the year 1862, for the Atlantic States, was estimated at 432,411 tons (or 968,600,640 pounds,) making a larger aggregate consumption than of any previous year in our history.

During the year 1863 the consumption of foreign cane sugars decreased, as compared with 1862, 10,103 tons, or somewhat more than four per cent. (4.2;) while the *decrease* in the consumption of *domestic* cane-sugars was 138,000 tons, or seventy-two per cent.\*

During the year 1864 this reduction also continued—the decrease in the consumption of *foreign* cane-sugars, as compared with 1862, having been 48,751 tons, or exceeding twenty per cent.; and of *domestic* cane-sugar 163,000 tons, or eighty-five per cent. less than in 1862.

In the year 1865, especially in the months following the close of the war, the consumption of *foreign* cane-sugar has very rapidly *increased*; the aggregate increase being upward of 153,149 tons, as compared with the consumption of 1864, or seventy-nine and a half per cent. The production and consumption of *domestic* cane-sugars, on the contrary, was almost too inconsiderable to be taken into account.

No reliable data are available to the commission for accurately estimating the consumption of raw cane-sugar in the Pacific States; but an annual average of about 10,000 tons is probably approximately correct. A considerable portion of the sugars consumed in the Pacific States are of the refined descriptions re-

\* The bulk of the crop of Louisiana and Texas in 1862, and a part of 1861, was distributed in 1863.

ceived from New York and Boston, though the recent establishment of refineries in San Francisco has begun to interfere with such shipments from the Atlantic ports.

In addition to the above estimates of the consumption of cane-sugars, allowance should be made for a considerable amount of clarified sugar annually entering into consumption, which is produced from molasses. This product (which is represented in the aggregate table of consumption of sugars of all kinds given hereafter) was estimated for the year 1863 at 21,250 tons, and for the year 1864 at 22,321 tons.

The manufacture of maple sugar during the past few years, owing to the great increase in the price of cane-sugar, has been prosecuted with unexampled energy; and although it is extremely difficult to arrive at any satisfactory conclusions respecting the present extent of this important crop, owing to the numerous locations, scattered throughout the northern, middle, and western States, where it is gathered in a small way, yet there can be little doubt that the estimates that are generally made, of about 28,000 tons (or 62,720,000 pounds) per annum, are rather within than in excess of the actual quantity.

The cultivation of the sorghum, under the like influence of high prices for cane-sugar, is rapidly extending throughout the western States, and is also becoming, to the same extent, a farm product of southern New England and the middle States. As yet, the expectations that have been indulged in, respecting the value of this plant as a source of sugar, have not been realized; but that sirup of a valuable quality can be easily and economically made from it has been well established. The high price of the sirups derived from the sorghum, averaging \$1 20 per gallon, effectually precludes all idea of an immediate production of sugar from this source, even were an economical process for its extraction devised.

Continued experiment, however, has satisfied intelligent minds that this plant may become a future source of merchantable sugar. The quantity of sirup thus produced for the years 1862, 1863, 1864, and 1865, is estimated by the commission as follows:

	Gallons.
1862.....	5, 000, 000
1863.....	9, 000, 000
1864.....	16, 000, 000
1865.....	25, 000, 000

For the future a steady annual increase in this product may be also considered certain.

That such a rapid and large addition to the supply of the saccharine material of the country will, to some extent, affect the demand for foreign and domestic cane-sugar, and more especially of cane molasses, (and consequently the revenue to be derived from the same,) cannot be doubted; and in the opinion of those most conversant with the trade, such indeed has been the effect already. It should, however, be called to mind in this connexion, that the western States have never been consumers of foreign molasses to any great extent, and that it is the new and cheap supply of saccharine material afforded by the sorghum which has itself, in a measure, created its demand for consumption.

The following table shows the estimated consumption of *sugars of all kinds* in the United States, from 1857 to 1865, inclusive, (nine years:)

Years.	Tons.	Pounds.	Remarks.
1857.....	332, 065	743, 825, 600	
1858.....	431, 152	965, 780, 480	30 per cent. increase.
1859.....	478, 737	1, 072, 370, 880	1 " "
1860.....	464, 673	1, 040, 867, 520	21 $\frac{5}{8}$ " decrease.
1861.....	411, 650	922, 096, 000	11 $\frac{3}{8}$ " "
1862.....	483, 205	1, 082, 379, 200	17 $\frac{3}{8}$ " increase.
1863.....	440, 500	762, 720, 000	29 $\frac{1}{2}$ " decrease.
1864.....	280, 500	628, 320, 000	17 $\frac{3}{8}$ " "
1865.....	412, 000	922, 880, 000	47 " increase.

In 1860 the consumption of sugar in Great Britain was estimated at an average of about thirty-four pounds *per capita*, or an aggregate of upwards of one thousand millions of pounds. This consumption, however, is not equally distributed in different parts of the kingdom. Thus, in 1856, the consumption in England was thirty-four pounds *per capita*; in Scotland, thirty-one pounds; and in Ireland, only eight and a half pounds.

In France the consumption of sugar *per capita* was estimated, in 1860, at eleven and one-third pounds; in Belgium, at twenty-one pounds; in the German states, at seven and three-fourths pounds; and in Russia, at two pounds.

In Great Britain it is estimated that there are consumed nine pounds of sugar for one pound of tea and coffee. In France the proportion is nine and two-thirds pounds for one pound of coffee. In Belgium, where the coffee is usually taken without sugar, the consumption of sugar is estimated at but little more than two pounds for one of coffee.

In all the United States, if we adopt the estimates above given, the average annual consumption of sugar of *all kinds per capita*, with an assumed population of 30,000,000, for the years 1858, 1859, and 1860, was thirty and a half pounds. For the year 1864, when the consumption of sugar, by reason of the war and high prices, was reduced to its minimum, the consumption *per capita* was only twenty-one pounds. For the year ending December 31, 1865, the consumption may be estimated at thirty-one pounds *per capita*.

The average annual consumption *per capita* of *foreign cane-sugar*, for the years 1858, 1859, and 1860, in the Atlantic States, was nineteen and one-third pounds; and of *domestic cane-sugar* for the same years, eleven and two-thirds pounds.

Assuming the present average annual production of *maple-sugar* to be 28,000 tons, we have as the average annual consumption of this article, with a population of 30,000,000 as above, about two pounds (2.1) *per capita*.

The commission estimate the average rate of increase in the consumption of cane-sugars, foreign and domestic, in all the United States, for the ten years prior to and including 1861, to have been about three per cent. (more nearly 2.8) *per annum*.

With the revival of the peculiar industries of the south, the States of Louisiana, Texas, and Florida will, undoubtedly, during the *present year* (1866)\*

\* The sugar product of Louisiana for 1865 was estimated to be insufficient for even the local consumption.

begin to contribute again to a considerable extent to the supply of the cane-sugars required for the consumption of the United States. As will be seen by reference to the tables above given, the amount of cane sugar of *domestic* production annually supplied for consumption in the United States averaged 166,830 tons (or 373,676,800 pounds) for the five years next preceding 1857; and 123,000 tons (or 275,751,000 pounds) for the five years next preceding 1862. For the next few years, or so long as the labor question at the south remains at all unsettled, and probably so long as cotton continues to command twenty-five cents or more per pound, the manufacture of cane-sugars in the States above mentioned must revive but slowly; and in the opinion of the commission the aggregate and maximum product of domestic cane-sugars, for the year 1866 and 1867, will not exceed 50,000 tons.\*

For the fiscal years ending June 30, 1867 and 1868, the commission estimate that the consumption of the country will probably require an annual importation of at least 285,625 tons (or 620,000,000 pounds) of foreign cane-sugars; which estimate presupposes, for these years, an annual consumption of all kinds of sugars considerably less than for the average of the five years immediately preceding the war.

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\* It is extremely difficult to form any reliable estimates respecting the immediate future production of sugar in the southern States. History records few examples of so stupendous and rapid a destruction of a great branch of national industry as befel the sugar interest of the United States, by reason of the rebellion. The crop of 1861-'62 was one of the largest ever made. The number of sugar estates returned as in operation for that year was 1,292, and the product 459,410 hogsheads of sugar and 36,752,800 gallons of molasses. For 1864-'65, on the contrary, the number of sugar estates returned as in operation was only 180, which afforded the scanty product of 6,750 hogsheads of sugar (or about thirty-seven hogsheads per estate) and 405,000 gallons of molasses.

Large as was the crop of 1861-'62, the crop of 1862-'63 would probably have been much larger under all ordinary circumstances. The crop in question had nearly reached maturity; the expenses incidental to grinding had already been incurred; when military necessity suddenly and violently wrested from the planter his working power—representing a capital of over one hundred and seventeen millions of dollars—leaving the canes for the mills and the corn for the use of the respective estates to rot in the fields, or to become spoil of the contending armies.

In view of these facts, it is not improbable that the estimates given in this report of the immediate future product of domestic cane-sugar is much larger than the facts will warrant. If this should prove to be the case, a larger import of foreign sugars will be required than has been estimated, to make good in all, or part, of the deficiency of the domestic crop.

An opinion is communicated to the commission, by one of the most intelligent sugar producers and factors of Louisiana, founded on a careful examination and review of the present industrial and financial condition of the sugar-producing States, that if an active capital of \$25,000,000 could be obtained, coupled with a "virtual organization of labor, irrespective of color, and equally protective of the employer and employé," the sugar industry of the State of Louisiana alone might in less than four years be made to yield an annual aggregate of at least 500,000,000 pounds. All such supply of capital must, however, be furnished from abroad, as the local banks, and the sugar factors, who formerly co-operated with and made advances to the planter, have, in common with him, been greatly crippled, or entirely ruined.

*lasses.*—The following table shows the estimated consumption in the At-States of cane molasses, domestic and foreign, for the years ending De-er 31, from 1851 to 1864, inclusive :

Calendar years.	Amount consumed.	Amount imported.
	<i>Gallons.</i>	<i>Gallons.</i>
.....	43,948,018	33,238,278
.....	48,257,511	29,417,511
.....	55,536,821	28,576,821
.....	56,493,019	24,437,019
.....	47,266,085	23,533,423
.....	39,608,878	23,014,878
.....	28,508,784	23,266,404
.....	45,169,164	24,795,374
.....	54,260,970	28,293,210
.....	47,318,877	28,724,205
.....	40,191,556	20,383,556
.....	62,668,400	25,650,400
.....	37,569,088	26,569,088
.....	32,581,668	28,753,668

e total consumption of molasses of all kinds, for the year 1862, was esti-  
as follows :

	<i>Gallons.</i>
foreign and domestic.....	62,668,000
house sirups.....	21,000,000
s form maple and sorghum.....	14,000,000
	<u>97,668,000</u>

For the year 1863 :

foreign and domestic.....	37,569,000
house sirups.....	25,000,000
irup.....	9,000,000
um.....	9,000,000
	<u>80,569,000</u>

For the year 1864 :

foreign and domestic.....	32,582,000
house sirups.....	20,000,000
irup.....	9,000,000
um.....	16,000,000
	<u>77,582,000</u>

e quantity of cane molasses taken for distilling before the excise law went  
effect was very large, but since then the demand for this purpose has fallen  
terially.

In the opinion of the commission an annual importation of at least twenty-five millions of gallons of cane molasses may be relied on for the fiscal years 1866-7 and 1867-8; and during the same years an annual domestic product of cane molasses, available for assessment and revenue, of about ten millions of gallons, may be also anticipated.

The following are the rates of duty at present imposed on imported sugars:

Sugars not above No. 12, Dutch standard, in color, 3 cents per pound; sugars above No. 12, and not above No. 15, Dutch standard, in color,  $3\frac{1}{2}$  cents per pound; sugars above No. 15, not stove-dried, and not above No. 20, Dutch standard, 4 cents per pound; sugars, refined, 5 cents per pound; sugars, stove-dried, or other sugars above No. 20, Dutch standard, in color, 5 cents per pound; sugars, refined, when tinctured or adulterated, 15 cents per pound; candy, valued at 30 cents or less per pound, 10 cents per pound.

The rates of duty imposed by several of the leading countries of Europe on the importation of unrefined raw sugars, previous to 1864, were as follows:

Great Britain,  $2\frac{3}{4}$  to  $3\frac{1}{2}$  cents per pound—average,  $3\frac{1}{4}$ ; France,  $2\frac{7}{8}$  to 4 cents per pound—average,  $3\frac{1}{2}$ ; Russia, 8 cents per pound; Zoll Verein, 5 cents per pound; Austria, 5 cents per pound; Sweden and Norway, 2 cents per pound; Spain,  $3\frac{1}{2}$  cents per pound. Average rates of imposts in the above eight countries, 4 cents per pound.

In 1864 the imposts on foreign sugars in Great Britain were reduced, making the present rates on low grades of sugar 2 cents to  $2\frac{1}{2}$  per pound.

In Great Britain sugar is the most productive article in the customs revenue, the importation of unrefined sugars for the years ending December 31, 1862, 1863, and 1864, having yielded, respectively, the following gross amount of duties:

1862.....	£6,201,250	\$31,006,250
1863.....	6,329,850	31,649,250
1864.....	4,773,210	23,866,050

The aggregate of duties paid in Great Britain, for the same years, on sugars of all descriptions, and molasses, is also returned as follows:

1862.....	£6,641,236	\$33,206,180
1863.....	6,717,189	33,585,930
1864.....	5,394,701	26,973,505

The following table, prepared from returns furnished to the commission by the Treasury Department, shows the estimated quantities of sugars imported, and the duties received on the same, for the five ports of Boston, New York, Philadelphia, Baltimore, and San Francisco, \* during the fiscal years ending June 30, 1862, 1863, 1864, and 1865 :

Year ending—	Quantity.	Rates of duty.	Duties received.
	<i>Pounds.</i>		
June 30, 1862† .....	652,498,301	.....	\$11,541,733 03
June 30, 1863.....	315,038,166	2½ cents.	7,875,954 15
June 30, 1863.....	18,611,342	3 cents.	558,340 26
June 30, 1863.....	2,454,460	3½ cents.	85,906 10
June 30, 1863.....	47,121	4 cents.	1,884 84
June 30, 1863, sugar candy.....	2,687	6 to 10 cents.	252 70
<b>Total, 1863.....</b>	<b>336,153,776</b>	.....	<b>18,522,338 05</b>
June 30, 1864.....	494,812,465	2½ cents.	12,370,311 62
June 30, 1864.....	31,699,069	3 cents.	950,972 07
June 30, 1864.....	6,047,997	3½ cents.	211,679 90
June 30, 1864, refined .....	21,910	4 cents.	876 40
June 30, 1864, sugar candy .....	49,700	6 to 10 cents.	4,321 52
<b>Total, 1864.....</b>	<b>532,631,141</b>	.....	<b>13,538,161 51</b>

The rates of duty on cane-molasses imported into the United States since 1856 have been as follows: From 1856 to 1858, 30 per cent. *ad valorem*; from 1858 to 1861, 24 per cent. *ad valorem*.

By the act of March 2, 1861, a duty of two cents per gallon was imposed on all imported molasses; by the act of August 5, 1861, the duty was advanced to five cents per gallon; by the act of December 24, 1861, to six cents per gallon; and by the act of June 30, 1864, the duty was still further advanced to eight cents per gallon, since when the rate has remained unchanged. On sirups and melado the present rate of duty is two and a half cents per pound.

	Gross imports.	Exports.	Consumption.	Duties accruing.
	<i>Pounds.</i>	<i>Pounds.</i>	<i>Pounds.</i>	
Sugars not above No. 12, Dutch standard .....	519,457,697	.....	.....	.....
Sugars above No. 12, and not above No. 15, Dutch standard.....	75,738,169	.....	.....	.....
Sugars above No. 15, and not above No. 20, Dutch standard.....	12,741,808	.....	.....	.....
<b>Total.....</b>	<b>607,937,674</b>	<b>28,555,268</b>	<b>579,782,406</b>	<b>\$20,292,334</b>

\* For San Francisco, the returns are given only to the 30th of April, 1864.

† The rates of duty in 1862 varied from three-fourths of a cent to five cents, the average being one and three-fourth cents.

‡ After the above returns were prepared, the commission received from the department the following (doubtful) returns of the imports of sugar of different grades into the United States, and the duties accruing from the same for the fiscal year 1865.



The following table, prepared from returns furnished to the commission by the Treasury Department, shows the estimated quantities of molasses, sirups, &c., imported, and the duties received on the same for the five ports, Boston, New York, Philadelphia, Baltimore, and San Francisco,\* during the years ending June 30, 1862, 1863, 1864, and 1865 :

## MOLASSES.

Year ending—	Quantity—gal- lons.	Rates.	Duties received.
June 30, 1862.....	7,257,716	2 cents.....	\$145,154 32
June 30, 1862.....	3,025,250	5 cents.....	151,262 50
June 30, 1862.....	16,351,933	6 cents.....	981,115 98
Total, 1862.....	26,634,899	.....	1,277,532 80
June 30, 1863.....	26,463,785	6 cents.....	1,587,827 10
June 30, 1864.....	22,832,102	6 cents.....	1,369,926 12
June 30, 1865.....	34,958,091	8 cents.....	2,796,647 28

## SIRUPS, MELADO, ETC.

Year ending—	Pounds.	Rates.	Duties received.
June 30, 1862.....	7,389,189	$\frac{1}{4}$ of a cent....	\$55,418 91
June 30, 1862.....	988,952	2 cents.....	19,779 04
June 30, 1862.....	312,215	2 $\frac{1}{2}$ cents.....	7,805 37
Total, 1862.....	8,690,356	.....	83,003 32
June 30, 1863.....	2,727,192	2 cents.....	54,543 84
June 30, 1864.....	5,524,102	2 cents.....	110,482 04
June 30, 1865.....	6,863,179	2 $\frac{1}{2}$ cents.....	171,579 48

By the amended internal revenue act of March 3, 1865, the following rates of excise were levied on the production or manufacture of domestic cane sugars :

On sugars not above No. 12, Dutch standard, produced from the sugar-cane, and not from sorghum or imphee, other than those produced by the refiner, two

On sugars above No. 12, and not above No. 18, Dutch standard, produced and four-tenths cents per pound.

directly from the sugar-cane, and not from sorghum or imphee, three cents per pound.

On sugars above No. 18, as above, four and two-tenths cents per pound.

On molasses produced from the sugar-cane, and not from sorghum or imphee six cents per gallon.

On sirups of molasses, or sugar-cane juice, concentrated molasses, or melado, and cistern-bottoms, one and a half cent per pound.

The following table shows the amount of internal revenue received from the excise on domestic-cane sugars of the different varieties for the fiscal years ending June 30, 1863, 1864, and 1865 :

\* For San Francisco the returns are given only to the 30th of April, 1864.

	Revenue received. Currency.
1862-'63. Total excise tax on domestic cane sugars, 1862-'63.	\$261,044 58
1863-'64. Total excise tax on domestic cane sugars, 1863-'64.	1,267,616 28
1864-'65. Sugars not above No. 12, Dutch standard.....	86,464 76
Sugars above No. 12, but not above No. 18.....	179,323 86
Sugars above No. 18, Dutch standard .....	57,963 76
Total excise tax on domestic cane sugars, 1864-'65.	323,752 38

For the fiscal year 1864-'65 the revenue obtained from the excise tax on domestic molasses produced from the sugar-cane, sirup of molasses, melado, and cistern-bottoms, was \$54,971 78.

By the internal revenue act of June 30, 1864, an excise of two and a half per cent. *ad valorem* was levied on the gross amount of sales on sugar refiners. By the amended act of March 3, 1865, this excise was advanced to three per cent., the refiner being at the same time required to take out a license.

The following table shows the revenue received from the excise on the sales of sugar refiners, and the rates of revenue excise for the fiscal years ending June 30, from 1863 to 1865, inclusive :

	Amount received
	Currency.
Year ending June 30, 1863, rate of excise $1\frac{1}{2}$ per cent.....	\$93, 418 09
Year ending June 30, 1864, rate of excise $1\frac{1}{2}$ per cent.....	873, 139 85
Year ending June 30, 1865, { rate of excise $2\frac{1}{2}$ per cent.... } { rate of excise 3 per cent..... }	1, 720, 612 96

From the above tables it would appear therefore that the gross revenue received from the customs duties and excise on sugars of all kinds, and on the gross sales of sugar refiners, for the year ending June 30, 1865, has been as follows :

Customs duties on imported sugars, &c.....(gold)	\$20, 292, 384	21
Customs duties on imported molasses.....(gold)	2, 796, 647	28
Sirups, melado, &c.....(gold)	171, 579	48
<b>Total receipts from customs (doubtful).....(gold)</b>	<b>23, 260, 610</b>	<b>97</b>
<b>Excise on domestic cane sugars.....(currency)</b>	<b>\$323, 752</b>	<b>38</b>
<b>Excise on sales of sugar refiners.....(currency)</b>	<b>1, 720, 612</b>	<b>96</b>
<b>Total receipts from excise.....(currency)</b>	<b>2, 044, 365</b>	<b>34</b>

The commission, in this connexion, would direct special attention to the effect of the present excise tax on the gross sales of sugar refiners.

Previous to 1850 the raw material employed by the manufacturers of refined sugars in the United States consisted mainly of "Havana box," "clayed Manilla," and the better class of "Porto Rico" sugarcane; all containing a high percentage of cane sugar and a very small proportion of molasses and (other) impurities. The sirups resulting from the treatment of these varieties of the raw material, being all rich in sugar, were "worked back," as it is termed, in the refineries, and by secondary results tended to swell the product of the refined sugar.

Under these circumstances the average production of refined sugar, resulting from the treatment of the above varieties, was as follows :

	Per cent.	
Refined in various forms—crushed, pulverized, &c.....	70.63	
A, white, wet.....	2.28	
	<hr/>	
First product .....		72.91
B and C, yellow, wet .....	12.40	
Molasses .....	11.18	
	<hr/>	
Second product .....		23.58
	<hr/>	
Total yield of merchantable product.....		96.49
Loss—impurities and moisture .....		3.51
	<hr/>	<hr/>

About 1848 to 1850 the increasing competition of grocers for the grades of sugars heretofore used in refining compelled the refiners to seek their supplies in the lower grades of muscovado sugars, from which, by the application of more perfect chemical processes and mechanical appliances, with rigid economy in expense, waste, and time, they were enabled to produce an article in all respects equal in quality to that previously made, but in largely diminished proportions of the higher class of refined sugars.

Since 1850 the average results of refineries in treating the last-mentioned varieties of raw cane-sugars is reported to the commission as follows :

	Per cent.	
Refined in various forms—crushed, pulverized, &c.....	37.49	
A, white, wet.....	13.12	
	<hr/>	
B and C, yellow, wet .....	24.60	50.61
Molasses, at 12 lbs. per gallon.....	17.81	
	<hr/>	
		42.41
	<hr/>	<hr/>
Total yield of merchantable product .....		93.02
Loss—impurities and moisture.....		6.98
	<hr/>	<hr/>

This last result is obtained by what is known as the "direct process," in which the resulting sirups from the first boiling, being poor in sugar, (from the low grades of sugar operated upon,) are boiled at once to make B and C (yellow) sugars and molasses, instead of being "worked back," as in the first process detailed. The obvious effect of the direct process is a largely reduced yield of refined sugars and a proportionate increase of yellow sugars and molasses ; but in the calculations of the refiner this is compensated for by the largely increased quantity of raw sugars which they are enabled to melt and refine with the same machinery and labor, by the higher quality of the secondary products and by the diminished cost of labor and working.

The business of refining sugar constitutes one of the largest branches of manufacturing industry followed in the United States, and as regards capital invested and number of men employed, probably ranks among the first of the special industries of the cities of Boston, New York, Philadelphia, Baltimore, Cincinnati, and St. Louis. Of the whole amount of raw cane-sugars imported

into or produced in the United States, about *two-thirds* are estimated to pass through the refineries previous to final consumption.\*

From the table above submitted it would appear that, by the processes now followed in American refineries, about *fifty* per cent. of *refined* sugars, by weight, are obtained from the raw sugars treated.

The absolute loss in refining sugar may be estimated at about seven per cent. The estimated additional value given to the product of any given weight of sugar in refining, *less* the interest on capital invested in the business of refining, is also estimated at about *seven* per cent. at present prices of the raw material, (6.93.)

The raw sugars at present employed for refining, when imported, pay a specific duty of three cents per pound. Upon the sales of all the product of the refinery (refined sugars, yellow sugars, and molasses) there is at present imposed an excise of three per cent.

As has already been stated, the refiner obtains but about fifty per cent. of refined sugar from the raw product treated by him; the remaining fifty per cent. being represented by the secondary products of yellow sugars and molasses, with the *seven* per cent. loss (from impurities and moisture) before noticed. These secondary products the refiner is obliged to sell in direct competition with the foreign unrefined raw sugars and molasses, at corresponding prices, making all allowance for any superiority in quality or cost on the part of the former.

So far, therefore, as these grades of sugars are concerned, the excise of three per cent. levied on the refiners' sales is equivalent to a direct protection to the foreign producer; while the refiner, not being able, by reason of the foreign competition, to charge the three per cent. paid on the secondary products to the price at which he is obliged to dispose of them, adds it to the cost of his fifty per cent. refined product. The excise tax of three per cent. on the gross sales of sugar-refiners, therefore, in fact falls wholly on refined sugars; thus unduly enhancing their cost to the consumers, reducing their consumption, and, under the present allowance for drawback, restricting their export. The excise tax of three per cent. upon the sales of all products of the refinery is thus made equivalent to about six per cent. on the sales of refined sugars, a tax nearly equal to the absolute value resulting from all the labor employed in the business of sugar-refining in the United States. That such a tax tends to diminish the consumption of refined sugars in the United States, and affect injuriously the domestic industry and commerce of the country cannot be doubted.

The commission, therefore, recommend *that the excise tax of three per cent. on the sales of sugar-refiners be repealed, and that, in lieu thereof, the impost and excise on all foreign and domestic cane-sugars be advanced one-half cent per pound, and on all foreign and domestic molasses two cents per gallon.* The commission believe that by this method all the objections growing out of the present system, above described, will be removed, the refining interest of the country stimulated, and a largely increased revenue accrue to the government; an additional *one-half* cent on 600,000,000 of pounds of imported sugar will yield \$3,000,000, or nearly one hundred per cent. more than the revenue derived, during the last fiscal year, from a tax of three per cent. on the sales of refiners.

If it be urged that this plan relieves the great industrial interest of sugar-refining from all direct taxation, we reply that this is the wish and aim of the

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\* In 1858 the quantity of brown sugar used by *nineteen* refineries in the city of New York was estimated to be at the rate of about 112,000 tons (250,880,000 pounds) per annum. In 1865, in twenty-nine refineries, the estimated consumption was about 25,000 hogsheads per month, or 30,600,000 pounds.

commission. The object of the government in arranging its revenue system is not taxation merely, but revenue.\*

We believe, further, that it is expedient, at least at present, in devising a national revenue system for this country, that the taxes should be made as indirect and as concrete as possible; that direct taxes upon the necessary industries should be avoided; and that, as rapidly as possible, the machinery of the excise should be reduced and simplified. In making the alterations proposed, these several ends will be attained, so far as one great industrial interest of the country is concerned.

Furthermore, in advancing the customs and excise rates on foreign and domestic cane-sugars *one-half* cent per pound, it is not certain that this advance will fall upon the consumer. Unlike coffee, the production of cane-sugar throughout the world continually tends to exceed the demand for consumption, and thus the additional one-half cent duty will fall mainly on the foreign producers, and only slightly on consumers.

The average annual production of sugar throughout the world for the five years, 1860-'64, is estimated at 3,729,000,000 pounds, while the estimated average annual demand for consumption for the same period is fixed at about 3,642,000,000 pounds; the average annual production being thus eighty-seven millions of pounds, or two and four-tenths per cent. larger than the average annual demand for consumption. The stock of sugar, therefore, in all the markets of the world, tends to accumulate; the stocks in the principal ports of Europe on the first of August, 1865, being 249,000 tons, against 219,000 tons in 1864; an excess of 30,000 tons, or sixty-seven millions of pounds.

In this connexion the following tables, prepared by H. E. Moring, esq., of New York city, showing the estimated *distribution* throughout the world of the production and of the consumption of sugars, distinguishing cane-sugars from those derived from the beet-root, may not be uninteresting.†

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\* If it be urged that this plan relieves the great industrial interest of sugar-refining from all taxation, we reply: The case is peculiar, inasmuch as in this great interest alone, the raw material of the manufacturer, in the shape of raw sugar as imported, enters into direct competition in the consumption of the country; and the difference of three per cent. direct tax on the sales of the refiner is equal to one-third of a cent per pound on a sugar worth eleven cents, and proportionately more on the higher-priced sugars, which gives the competing grocer an advantage over the refiner of from one-third to one-half cent per pound, a difference always sufficient to determine that a given sample of sugar shall enter into consumption through the scales of the grocer, free from all taxation, rather than through the taxed processes of the refiner. Again, we hold that the rate of taxation, when measured by the increase of value placed upon the raw material, is in the case under consideration disproportionately great, as compared with any other great industrial interest in our country. In this case the increase of value thus placed on the raw material is found to be but about seven per cent. of the cost, whilst the tax is equal to nearly fifty per cent. of this increase in value.

Now, wool, cotton, iron, rags, hides, and all other raw materials which enter into the other various great industrial interests of the country, are not only wholly unfitted for the use of man and thus removed from the competition which the sugar-refiner must meet, but they also form, comparatively, a small proportion of the value of the articles manufactured therefrom.

The increased value placed upon these raw materials is so great, that the tax of three per cent. bears but a slight proportion to such increase; consequently is little felt. Were it proposed to tax these interests forty per cent. on the increased value placed upon their raw material, exorbitant as it might seem, they still would enjoy immunity from the competition of the raw material, which the sugar-refiner is subjected to.

† Since the above was written, the commission have learned that large shipments of refined sugar (including beet-root sugar) have been made or are about to be made from France to the United States. This is entirely a new enterprise, as regards the trade of the two countries, and under the present tariff was not supposed to be possible. The commission cannot reconcile the transaction with any object of present gain, unless there is a large bounty allowed by the imperial government, and as regards this they have no information.

*Table showing the estimated distribution, throughout the world, of the production of sugars (both from the cane and from the beet-root) for each of the six years, 1860 to 1865, inclusive.*

	1860.	1861.	1862.	1863.	1864.	1865.
<b>CANE-SUGARS.</b>						
	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>
Cuba.....	415,000	425,000	450,000	470,000	504,000	520,000
Porto Rico.....	50,000	65,000	67,000	70,000	50,000	60,000
Brazil.....	43,000	65,000	115,000	100,000	75,000	70,000
French colonies.....	117,000	122,000	111,000	120,000	75,000	90,000
Dutch West Indies.....	13,000	14,000	14,000	14,000	17,000	17,000
Danish West Indies ..	4,000	4,000	4,000	4,000	5,000	5,000
British West Indies.....	172,000	187,000	195,000	195,000	160,000	190,000
British East Indies.....	41,000	39,000	22,000	20,000	40,000	20,000
Mauritius.....	76,000	94,000	59,000	85,000	120,000	130,000
Java.....	99,000	110,000	99,000	85,000	130,000	120,000
Manilla, Siam, China.....	40,000	50,000	35,000	45,000	55,000	55,000
<b>Total.....</b>	<b>1,070,000</b>	<b>1,175,000</b>	<b>1,171,000</b>	<b>1,208,000</b>	<b>1,231,000</b>	<b>1,277,000</b>
Louisiana crop.....	114,000	117,400	235,900	53,000	28,000	3,500
<b>Total.....</b>	<b>1,184,000</b>	<b>1,292,400</b>	<b>1,406,900</b>	<b>1,261,000</b>	<b>1,259,000</b>	<b>1,280,500</b>
<b>BET-ROOT CROP.</b>						
Germany.....	117,000	100,000	125,800	138,000	151,200	166,000
France*.....	125,000	100,000	146,400	193,700	108,500	146,100
Austria.....	45,000	50,000	54,400	76,200	58,400	84,600
Russia.....	40,000	40,000	48,500	30,300	34,200	42,500
Belgium.....	18,000	18,000	17,800	32,000	20,000	21,900
Poland and Sweden ..	10,000	10,000	10,000	10,000	10,900	11,500
Holland.....	1,500	1,500	1,500	1,900	2,000	2,500
<b>Total.....</b>	<b>356,500</b>	<b>319,500</b>	<b>404,400</b>	<b>452,100</b>	<b>385,700</b>	<b>475,100</b>
<b>Grand total.....</b>	<b>1,540,500</b>	<b>1,611,900</b>	<b>1,811,300</b>	<b>1,713,100</b>	<b>1,644,700</b>	<b>1,755,500</b>
Millions of pounds..	3,451	3,611	4,057	3,838	3,684	3,932

\* The yield of 1865 and 1866 in France is estimated at the unprecedented figure of 250,000 tons; and other countries will probably also show an increase; which will tend to establish low prices in the cane-sugar producing countries.

*Table showing the estimated distribution, throughout the world, of the consumption of sugars, for each of the five years, 1860 to 1864, inclusive.*

	1860.	1861.	1862.	1863.	1864.
<b>In Europe:</b>					
	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>
Great Britain—Cane-sugars ..	441,100	476,200	486,200	497,300	479,300
France—Cane-sugars.....	178,000	204,300	213,200	237,500	213,200
Continent of Europe—Cane-sugar.....	194,200	212,600	239,500	230,100	190,700
<b>Total cane-sugar.....</b>	<b>813,300</b>	<b>893,000</b>	<b>938,900</b>	<b>964,900</b>	<b>883,200</b>
<b>Beet-root crop.....</b>	<b>356,500</b>	<b>319,500</b>	<b>404,400</b>	<b>452,100</b>	<b>385,700</b>
<b>Total consumption of sugar in Europe.....</b>	<b>1,169,800</b>	<b>1,212,500</b>	<b>1,343,300</b>	<b>1,417,000</b>	<b>1,268,900</b>
<b>In the United States (cane-sugar).....</b>	<b>415,300</b>	<b>363,800</b>	<b>432,411</b>	<b>284,300</b>	<b>220,000</b>
<b>Grand total, in tons.....</b>	<b>1,585,100</b>	<b>1,576,300</b>	<b>1,775,711</b>	<b>1,701,300</b>	<b>1,488,900</b>
<b>Grand total, millions of pounds.....</b>	<b>3,551</b>	<b>5,531</b>	<b>3,978</b>	<b>3,811</b>	<b>3,340</b>

The following table compares the estimated production and consumption of sugars of all kinds, throughout the world, for each of the five calendar years, from 1860 to 1864, inclusive; and exhibiting the excess in each year (deficiency in 1860) of production over consumption:

	Production.	Consumption.	Excess of production over consumption.
1860.....	1,541,000 tons.	1,585,000 tons.	— 44,000 tons.
1861.....	1,612,000	1,576,000	+ 36,000
1862.....	1,811,000	1,776,000	+ 35,000
1863.....	1,713,000	1,701,000	+ 12,000
1864.....	1,645,000	1,491,000	+ 154,000
1865.....	1,756,000	-----	-----
Average of the five years, {	1,665,000	1,626,000	+ 39,600
1860-'64.....	or	or	or
	3,729 millions lbs.	3,642 millions lbs.	87 million lbs.

Of the extent to which sugars, molasses, &c., can be made available, as sources of revenue, under the present rates, and under the rates proposed by the commissioners for the fiscal year ending June 30, 1867, the commission present the following estimate:

## CUSTOMS.

470 millions of pounds of sugar, (imported,) paying 3 cents per lb..	\$14,100,000
150 millions of pounds of sugar, (imported,) paying 3½ to 4 c. per lb.	5,650,000
25 millions of gallons of molasses, paying 8 cents per gallon....	2,000,000
Total receipts from customs.....	21,750,000

## EXCISE.

50 millions of pounds domestic cane-sugars, 2 cents per lb.....	\$1,000,000
50 millions of pounds domestic cane-sugars, 2½ cents per lb.....	1,250,000
10 millions of gallons of molasses, 6 cents per gallon.	600,000
Excise on sales of refined sugar, 3 per cent.....	1,800,000
Total receipts from excise.....	4,650,000
Gross receipts, customs and excise.....	26,400,000

*Rates proposed by the commission.*

## CUSTOMS.

470 millions of pounds of sugar, (imported,) paying 3½ cents per lb.	\$16,450,000
150 millions of pounds of sugar, (imported,) paying 4 to 4½ cents per lb.....	6,550,000
25 millions of gallons of molasses, paying 10 cents per gallon...	2,500,000
Total receipts from customs.....	25,500,000

## EXCISE.

50 millions of pounds of domestic cane-sugar, 2½ cents per lb.....	\$1, 250, 000
50 millions of pounds of domestic cane-sugar, 3 cents per lb.....	1, 500, 000
10 millions of gallons of molasses, 8 cents per gallon.	800, 000
	<hr/>
Total receipts from excise.....	\$3, 550, 000
	<hr/>
Gross receipts, customs and excise.....	29, 050, 000
	<hr/> <hr/>

The above estimates of the immediate future consumption of cane-sugars in the United States have been prepared by the commission under the supervision of some of the best commercial authorities of the country, and are believed to be considerably less than what time and experience will demonstrate.\* With continued prosperity on the part of the industrial interests of the country, we think an increment of at least ten per cent. on the above estimates for the fiscal years 1867 and 1868 may be reasonably anticipated, with necessarily a like proportional augmentation of the revenues. A reduction in the price of foreign sugar, consequent upon a decline in the price of gold, would also, in all probability, increase consumption to a degree even greater than that above indicated.

With the retention of the present rates of customs and excise upon sugars and molasses, the increase of revenue from this source for the fiscal year ending June 30, 1867, will, in the opinion of the commission, amount to \$10,000,000, as compared with the receipts for the fiscal year 1863-'64, and nearly \$3,000,000 as compared with the treasury estimates of receipts for the fiscal year 1864-'65.

With an advance in the rates as proposed by the commission, the increase of revenue may be estimated at \$13,000,000, as compared with the treasury returns of the fiscal year 1863-'64, and of over \$5,000,000 as compared with those of 1864-'65.

The commission fully indorse the conclusions heretofore arrived at by Congress, that it is not expedient to levy any excise upon maple-sugar, or upon the sirup or sugar produced from the sorghum or imphee, nor upon beet-root, which is likely at an early day to become, to an important extent, one of our products; and they would recommend that the present discrimination made between the duties on foreign sugars and the excise on domestic sugars be continued.

The commission would also call attention, in this connexion, to the method at present in use in the customs for estimating the duties on raw sugars of foreign production, as one demanding, at an early day, a careful consideration and revision on the part of the government. By the method referred to, raw sugars are now classified for the purpose of estimating the duty upon them according to color: sugars below a certain standard of color, known as No. 12 "Dutch standard," paying three cents per pound; while those of lighter colors, referred to a similar arbitrary standard, pay proportionately higher rates. This may, perhaps, be the easiest method of classification, but it certainly has no foundation in equity, inasmuch as color alone is not indicative of the true value of the article levied upon. There are certain shades of color and brilliancy of grain which give value to sugars by fitting them for direct consumption, and the trade of grocers; yet these sugars, while paying the higher duties, may contain less cane-sugar than others which grade below No. 12, and pay the lower duty. It

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\* By reference to the tables before given it will be seen that our estimate for 1866-'67 falls short of the consumption of cane-sugar in 1862 by over 240,000,000 pounds.



would seem obvious, "that the duty being made dependent on the color of sugar, 'yellow,' 'white,' or 'brown,' and left to the arbitration of a custom-house officer, must necessarily lead to uncertainty, error, doubt, and contradiction. What is of one color in cloudy weather may be of another in sunshine; so that, besides that opening to fraud which such distinctions present, the importer can have no absolute certainty as to the rate which he will be charged." The simple process of drying may, alone, cause a difference of one or more grades in a sample of raw sugar.

By reference to the tables appended to this report (marked A,) submitted to the commission by one of the most experienced sugar refiners in the country, it will be seen that hoghead or muscovado sugars vary in value in cane-sugar from seventy-nine per cent. to eighty-six per cent., with molasses running from seventeen per cent. to eight per cent.; while the clayed Brazil, Manilla, and Cuba sugars range from eighty-three per cent. to ninety-two per cent., with proportionately less of moisture, molasses, and impurities. As a general rule the value of raw sugar (to the refiner) is proportionate to the amount of cane-sugar therein contained; while the color of sugar is of secondary importance to the refiner, as his agencies fully master all depths of color.

The attention of the government was given to this subject as early as 1843, and under the direction of the Treasury Department many crude experiments were made to determine the value of various sugars and molasses, furnished from the customs. The processes, however, reported were tedious and uncertain in result, and further effort in this direction was abandoned. In Europe, however, the demand for more exact methods for determining the value of sugars or sugar solutions, in the extensive beet-sugar works, has led to the application of *polarized light* as a saccharometer; and an instrument devised for this purpose (*Soleil's*) is now of universal use in European sugar refineries, and (we understand) in the French customs, to determine the exact value of sugar therein contained. This instrument is so simple and so admirably adapted to the end in view, that a *tyro* in chemical manipulation may, in a few minutes, measure to within one-half of one per cent. the amount of *cane* or crystallizable sugar and grape-sugar contained in any sample of sugar presented, and assess the duties accordingly.

The commission at present content themselves with merely calling attention to this subject, as one of importance; and should future opportunity be afforded them, they propose to give it more special attention.

At present, the classification of sugars under the customs and under the excise are dissimilar. The commission would suggest the propriety of making the classification, in both departments of the revenue, to correspond.

Respectfully submitted to the commission.

DAVID A. WELLS, *Chairman.*

Hon. HUGH McCULLOCH,  
*Secretary of the Treasury.*

APPENDIX A.—*Showing the varying value of different raw sugars.*

Examination: For sugar, by polarized light; for gum, by basic acetate of lead; for moisture, by evaporation; molasses being the remainder.

Commercial marks.	Water.	Gum-dirt.	Cane-sugar.	Molasses.	Remarks on color and condition.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	
Manilla, (clayed).....	1.80	1.88	88.00	8.32	Dark brown, good quality.
Cuba, hhd., (La Josepha).....	5.72	1.09	79.00	14.19	Brown, heavy, gummy.
Porto Rico, (La Vega).....	3.86	1.05	78.00	17.09	Yellow, dry, acid.
Cuba, hhd., (average quality).....	3.94	1.42	86.00	8.64	Yellow brown, dry, good grain.
Porto Rico.....	4.84	1.26	81.00	12.90	Brown, heavy, good grain.
Porto Rico.....	4.96	1.15	81.00	12.89	Light brown, seemed dry, good grain.
Porto Rico.....	5.90	1.21	82.00	10.89	Yellow brown, heavy, good grain.
Porto Rico.....	4.74	1.24	86.00	8.02	Yellow brown, free, good grain.
Brazil, (clayed).....	1.90	1.43	83.00	13.67	Yellow brown, lumpy, fine grain, dry
Havana, box, (clayed).....	1.48	.85	87.00	10.67	Light yellow, stopped filter.
Havana, box, (clayed).....	1.24	1.52	83.00	14.24	Light brown, filtered, free.
Havana, box, (clayed).....	1.34	1.76	82.00	14.90	Brown, lumpy, dirty.
Havana, box, (clayed).....	.47	.88	92.00	6.65	Low white.
Cuba, hhd., (Constance).....	4.64	1.31	83.00	11.05	Yellow brown, fine grain.
Porto Rico, (Incarnation).....	5.88	1.43	84.00	8.69	Brown, heavy, good grain, free.
Manilla, (Muscovado).....			72.00		Dark red brown, heavy, free.
Java, brown { English samples. {			87.00		Brown, fine powdery grain.
Java, good. {			92.00		Yellow brown.
Batavia, No. 14, Dutch standard			93.00		Yellow, good hard grain, very free.
Batavia, No. 20, Dutch standard			96.00		White, good grain, very free.
Batavia, No. 6, Dutch standard			89.00		Dark brown, black lumps, sticky.
Bengal, brown.....			80.00		Dark brown, gummy, heavy, free.
Bengal, yellow.....			81.00		Yellow, fine grain, stopped three filters.
Bengal, good to fine.....			84.00		Gray white, fine feathery grain.
Madras, brown.....			82.00		Red brown, black lumps, heavy, sticky.
Madras, yellow.....			83.00		Gray yellow, good grain, dry and clean.
Madras, fine.....			96.00		Yellow white, fine grain, clean, free.
Mauritius, brown.....			86.00		Yellow brown, fine grain, clean.
Mauritius, fine.....			95.00		Light yellow, fine grain, clean.
Mauritius, yellow.....			92.00		Yellow, fine grain, clean.

## SPECIAL REPORT, NO. 5.

*Distilled spirits as a source of national revenue.*

## TREASURY DEPARTMENT,

*Office of the U. S. Revenue Commission, February, 1866.*

SIR: In respect to distilled spirits, the commission, taking as their guide the history of past congressional legislation, and what seems to them to be the general public sentiment of the country, assume in the outset that it is to be the future policy of the government to impose upon these articles the maximum imposts which they can bear, without too largely encouraging attempts at evasion of payment by the smuggler, the illicit distiller, and the retailer.

As a policy in accordance with the above assumption has been adopted and enforced by Great Britain for many years, it seems advisable, at the commencement of our inquiry into the relation of the production of distilled spirits to the future national revenue, to briefly review the results which have flowed from British legislation on this subject.\*

\* In a speech in the House of Commons, on the 21st of May, 1864, the chancellor of the exchequer said, with the general consent, apparently, of the House, that "the principle on which Parliament had always acted with respect to the spirit duties was to impose on that article the highest amount of duty which it was possible to levy, without increasing illicit distillation."

The following table shows the varying rates of duty imposed on distilled spirits in England, Scotland, and Ireland, from 1820 to 1858, the rates since the duties were equalized for the whole kingdom in 1858, the annual product in gallons returned as subject to excise,\* and the annual *gross* revenue derived therefrom :

Year.	England.	Scotland.	Ireland.	Galls. charged.	Annual revenue in sterling.	Equal to, in United States currency† (gold.)
	s. d.	s. d.	s. d.			
1820.....	11 8½	6 2	5 7½	9,448,435	£4,012,707	\$20,063,535
1824.....		2 4½	2 4½	15,433,227	3,895,285	19,476,495
1826.....	7 00	2 10	2 10	18,230,859	4,125,598	20,627,990
1831.....	7 6	3 4	3 4	21,845,108	5,189,661	25,948,303
1836.....			2 4	26,745,300	5,485,882	27,429,410
1841.....	7 10	3 8	2 8	20,642,330	5,161,610	25,808,050
1854-'55.....		4 8	3 4	25,683,587	7,660,778	38,303,890
1855-'56.....		7 10	6 00	21,957,275	7,617,582	38,087,910
1856-'57.....	8 00	8 00	6 2	23,300,556	8,698,623	43,493,115
1858-'59.....			8 00	23,686,751	9,195,145	45,975,725
1859-'60.....				24,985,192	10,000,191	50,000,955
1860-'61.....				20,147,824	9,486,711	47,433,555
1861-'62.....	10 00	10 00	10 00	19,945,840	9,965,376	49,826,880
1862-'63.....				19,760,882	9,876,281	49,381,405
1863-'64.....				20,231,126	10,133,355	50,666,775
1864-'65.....				21,238,862	10,640,067	53,200,335

For the fiscal year 1864-'65 the British government received from excise taxes on distilled spirits and malt, from license fees on the manufacture or sale of liquors, and from customs duties on imported wines and spirits, the following gross revenue :

Distilled spirits, 10s. (\$2 50) excise per gallon. £10,640,067 = \$53,200,335  
Malt..... 6,597,641 = 32,988,205  
Licenses for the manufacture or sale of spirits, &c. 1,431,073 = 7,155,365

Customs duties on spirits and wines for the year ending December 31, 1864 :

Rum..... £1,896,085  
Brandy..... 1,205,707  
Gin..... 57,121  
Wines..... 1,319,267

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4,478,180 = 22,390,900

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23,146,961 = 115,734,805

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The total revenue of Great Britain for the year ending March 31, 1865, having been £70,800,000, or \$354,000,000, it thus appears that nearly thirty-three per cent. of the whole amount was derived from the direct and indirect taxes on spirituous and fermented liquors.

\* From the return of the number of gallons charged, and the accruing revenue, some deduction must be made for the quantity on which a drawback was subsequently allowed for exportation and methylation. This allowance amounted in 1863-'64 (in the case of distilled spirits) to only 807,680 gallons, and in 1864-'65 to 809,013 gallons.

† In this and the succeeding tables the pound sterling is computed at five dollars, and the British shilling at twenty-five cents.

The commission would also call attention, in this connexion, to the relation which the manufacture and sale of distilled spirits sustain in countries other than Great Britain to their national revenues.

In Russia the manufacture and sale of distilled spirits is a strict government monopoly. The government, in the first instance, sells the privilege of dealing in the article; and secondly, reserves to itself the right of distilling all domestic liquors and supplying the same to the dealers at the rate of  $3\frac{1}{2}$  silver roubles a vedro, ( $3\frac{1}{4}$  gallons)—equivalent to about 81 cents (gold) per gallon. The total revenue for 1864 from these sources was 127,800,000 silver roubles, (\$95,850,000.)

The consumption of the common liquor of the country (termed "vodki") for the year 1858 was reported at 60,000,000 vedros, (195,000,000 gallons,) and as the population of the whole empire was 74,274,000, the consumption per head was about 2.6 gallons. The manufacture and sale of spirits is so closely guarded by the authorities that the amount of fraud and illicit production occurring is inconsiderable.

The entire income of the Russian government for the year 1864, from ordinary sources, was returned at 346,241,000 silver roubles, (259,680,750;) and of this revenue, nearly thirty-seven per cent. was derived from the manufacture and sale of domestic liquors.

The duty on spirits in France is 90 francs per hectolitre (26.4 gallons) for 100 degrees of strength, equal to  $66\frac{1}{2}$  cents per gallon; at 50 degrees, 45 francs, and in like proportion. On wine, the duty is 60 centimes per hectolitre for consumption, and when sold, 1 franc 20 centimes per hectolitre. The duty is paid on the 25th of each month for the production of the month preceding.

The following table shows the amount of the revenue derived in France from wines, spirits, beer, cider, and perry, from 1859 to 1863, inclusive:

	1859.	1860.	1861.	1862.	1863.
	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>
Wine.....	92,982,085	85,966,297	86,730,261	93,581,101	98,302,319
Cider and perry ..	11,516,484	10,991,478	13,475,445	12,874,060	13,569,851
Spirits.....	53,765,472	66,886,546	79,129,296	81,528,983	82,832,239
Beer .....	15,685,854	15,251,374	15,864,099	16,204,450	16,419,072
	173,949,895	179,095,695	195,199,101	204,188,594	211,123,481

In 1864-65 the receipts from the above sources were returned at 213,427,000 francs; the aggregate receipts from all ordinary sources for the same year being returned at 1,752,036,000 francs. It would thus appear that of the entire revenue 12.12 per cent. may be set down to the credit of spirituous and fermented liquors, or less than one third of that derived from the same sources by Great Britain, in a population one-fourth greater.

The tax on spirits in Austria amounts to 6 kreutzers on each per cent. of a Vienna eimer, besides 20 per cent. war tax. Thus, an eimer of spirits of 50 per cent. alcoholic strength pays 3 florins tax besides 20 per cent. war tax, or \$1 80 per eimer, (14.95 gallons.)

The United Empire of Austria derived the following revenue from beer, wine, cider and perry, and spirits, during the years 1862, 1863, and 1864:

	Beer.	Wine, cider, and perry.	Spirits.
	<i>Florins.</i>	<i>Florins.</i>	<i>Florins.</i>
1862.....	16, 367, 920	7, 065, 899	13, 858, 388
1863.....	16, 471, 141	6, 331, 732	15, 764, 690
1864.....	16, 513, 133	6, 283, 042	14, 283, 754

Total amount from these sources in 1864, \$17,983,765.

The production of spirits in Austria is reported to be on the decrease.

No tax is paid on wine by the producer. If sold to the dealer a tax is imposed as follows:

On one eimer (nearly fifteen gallons) wine, sweet from the press before being fermented, without regard to quality or strength, one florin forty kreutzers, or seventy cents. Apple wine or cider before fermented, one florin twenty-eight kreutzers, or sixty-four cents. An additional war tax has been imposed, since 1859, of twenty per cent. Wines are largely produced in Austria and the provinces of Hungary and Transylvania, and are sold at low prices.

In Wurtemberg, spirits are distilled chiefly from the small fruits and the refuse of grapes, but little grain being used. They are principally used for manufacturing purposes, and only in rare instances drunk as beverages. The tax on spirits is quite small.

In the Grand Duchy of Baden, wine is not taxed while in the hands of the producer. If sold to the dealer a tax is imposed of one hundred and six kreutzers, or seventy cents per ohm, (39.6 gallons;) and when sold to a retailer, an additional tax is charged of fifty-six cents per ohm. The revenue annually derived from this source is about \$400,000.

In Baden spirits are chiefly distilled from the refuse of the grapes and apples, cherries, and the small fruits. The greater portion of the spirits produced is exported. A tax is imposed of three kreutzers (two cents) per maas, or five cents per gallon on the contents of the still per month; if a heater is used, eight cents per gallon; and if steam, ten per gallon. During the month the manufacturer is permitted to distil as largely as he may wish without additional charges. The annual revenue derived from this item is about \$32,000.

In Bavaria the distillers, if regularly engaged in the business, pay 57½ kreutzers for every metzen of grain. Six metzen are equal to one scheffell, or 9.98 imperial bushels. The tax, therefore, is 38 cents for 43 pounds of grain. But little spirits are drunk by the people, the production being used chiefly for export or manufacturing purposes. No tax is imposed on wine manufactured in the kingdom.

In Prussia the tax on distilled spirits is one silver groschen per quart. A silver groschen is 2.43 cents. The tax, therefore, amounts to 9¾ cents per gallon.

In the states comprising the German Zoll Verein, by the present tariff, which went into operation July 1, 1865, the duty on spirits has been reduced, whether in casks or bottles, from 8 to 6 thalers; on wine, from 8 to 4 thalers; and on beer from 8 to ¾ thalers per cwt.; which latter great reduction has been regarded by the people as a further encouragement to its consumption.

The whole number of distilleries existing in the Zoll Verein states was 13,208. They are believed to be, however, in the main, of small capacity, and their products are used chiefly in the arts, or exported to other countries.

In Switzerland there is no general law to regulate the duty on beer, wine, and spirits, as direct taxation is not imposed by the central government.

Of the cantons, Lucern imposes the highest tax on wine—10.92 cents per gallon, and Glarus the lowest—½ cent per gallon. Solcure imposes the highest

tax on spirits—78 cents per gallon, and Valois the lowest—1½ cent. In Zurich and several other cantons, no tax is imposed on wine and beer.

In British Guiana the tax on the domestic consumption of rum, one of the principal products, is reported to the commission as at \$2 per gallon; and the law imposing the tax being rigidly enforced, the revenue derived from the same defrays, in great part, the expenses of the colony.

In Canada the duty on distilled spirits is at present 30 cents per gallon, and the quantity on which the tax was collected in 1863 (*i. e.*, 15 cents per gallon) was 3,661,668 gallons. The quantity on which excise was collected in the fiscal year 1864-65, at the advanced rate of duty, was 2,973,130 gallons.

In the province of New Brunswick there are no distilleries existing.

In the province of Nova Scotia, the government, having experienced great difficulty in making distillers conform to law and pay the taxes, and finding also that the illicit domestic product impaired the customs revenue from imported spirits, prohibited, by law, a few years since, the continuation of the business of distillation. No distilleries are therefore permitted by law in that province, and none now exist there.

#### PRODUCTION OF DISTILLED SPIRITS IN THE UNITED STATES.

The quantity of distilled spirits produced in the United States during the year ending June 1, 1860, as returned to the Census Bureau, was 89,308,581 gallons; or, including 1,104,000 gallons of alcohol, made directly from the grain and returned with alcohol, 90,412,581 gallons. A revision of the statistics previously published has been made at the instance of the commission, by Mr. Edward Young, late head of the division of statistics of manufactures in the United States Census Office, and the conclusions arrived at by him are that the quantity as thus returned was rather under than over the actual production in that year.

The following is an abstract of the tables prepared by Mr. Young:

*New England.*—Distilleries: Maine, 1; Massachusetts, 11; Rhode Island, 1; Connecticut, 9; New Hampshire and Vermont none. Total in New England States, 22. Capital invested, \$539,000; hands employed, 112; annual product in proof gallons, 4,314,220; value of annual product, \$1,592,370.

*Middle States.*—Distilleries: New York, 60; Pennsylvania, 189; New Jersey, 56; Maryland, 18; Delaware and District of Columbia, none. Total in middle States, 323. Capital invested, \$4,116,742; hands employed, 1,440; annual product in proof gallons, 29,992,499; value of annual product, \$8,665,015.

*Western States.*—Distilleries: Ohio, 106; Indiana, 37; Michigan, 8; Illinois, 52; Wisconsin, 33; Minnesota, 8; Iowa, 11; Missouri, 22; Kentucky, 216; and Kansas, 1. Total in the western States, 494. Capital invested, \$6,117,332; hands employed, 3,200; annual product in proof gallons, 52,727,162; value of annual product, \$14,995,302.

*Southern States.*—Distilleries: Virginia, 77; North Carolina, 94; South Carolina, 31; Georgia, 11; Alabama, 3; Louisiana, 2; Texas, 9; Arkansas, 2; Tennessee, 97; Florida and Mississippi, none. Total in the southern States, 326. Capital invested, \$648,651; hands employed, 598; annual product in proof gallons, 2,542,500; value of annual product, \$1,192,003.

*Pacific States and Territories.*—Distilleries: California, 9; Oregon, 1; Utah, 6; and New Mexico, 12. Total in Pacific States and Territories, 28. Capital invested, \$126,950; hands employed, 66; annual product in proof gallons, 836,200; value of annual product, \$323,535.

*Aggregate of States and Territories.*—Distilleries, 1,193; capital invested, \$11,548,675; hands employed, 5,416; product in proof gallons, for 1860, 90,412,581;\* value of product for 1860, \$26,768,225.

\* This quantity includes 1,104,000 gallons of alcohol distilled in the States of New York, Pennsylvania, Ohio, and Illinois, but the number of distilleries, capital invested, hands employed, and value of annual product, as regards this item, are not included in the above aggregate.

## RECAPITULATION.

Sections.	Numbers of distilleries.	Capital invested.	Hands employed.	ANNUAL PRODUCT.	
				Quantity in gallons.	Value.
New England States .....	22	\$539,000	112	4,314,220	\$1,592,370
Middle States .....	323	4,116,742	1,440	29,992,499	8,665,015
Western States .....	494	6,117,332	3,200	52,727,162	14,995,302
Southern States .....	326	648,651	598	2,542,500	1,192,003
Pacific States and Territories ..	28	126,950	66	836,200	323,535
Total in the United States .....	1,193	11,548,675	5,416	90,412,581	26,768,225

The following table shows the *average highest and lowest* wholesale price of whiskey (proof spirits) in the New York market for the years 1858 to 1864, inclusive, (obtained by taking the average price of each market day of the year, and dividing by the number of days.)

Year.	Average price.	Highest.	Lowest.
1858 .....	\$0 24½	\$0 29	\$0 21
1859 .....	27½	31	25
1860 .....	22	27	17
1861 .....	18½	21	14
1862 .....	29	39	20
1863 .....	53	96	39½
1864 .....	1 45	2 24	80

It will thus be seen that for the first five years included in the above table, (1858-62,) the years before the tax became operative, the average price of whiskey in the New York market was about twenty-four cents per gallon.

The quantity of proof spirits obtained by distillation from a bushel of grain depends greatly upon the skill of the distiller, the quality and quantity of the yeast, and upon atmospheric conditions; the general average reported being from twelve to fourteen quarts. Instances are, however, reported where a yield of seventeen quarts per bushel has been obtained with some degree of regularity; while, on the other hand, the product of the more imperfect methods of distillation practiced in the southwest (especially by small private distillers) will not probably average much above eight or nine quarts per bushel. According to the census returns of 1860, the average yield of the loyal States was 3.38 gallons per bushel; the reported range being 4 gallons in Massachusetts and Ohio; 3.5 in Michigan, Indiana, and Iowa; 3 in Illinois and Oregon; and 2.6 gallons in Kentucky.

The average yield of spirits per bushel of grain, by distillation, in Canada, as officially reported, was, for the years 1862 and 1863, as follows: 1862, two and one-twelfth gallons; and in 1863, two and one-fifth gallons.

The usual yield of proof spirits from malt in Great Britain is reported at from two to two and one-half gallons per bushel. From corn or unmalted grain the largest yield reported is two gallons per bushel.\*

\* The enormous size of some of the distilleries in Great Britain may be inferred from the statement that, in several of them, the apparatus is of sufficient magnitude to allow of the distillation of half a million of gallons of wort per day.

Chemical examination of the exhausted grain, in the best-conducted distilleries, invariably reveals a considerable percentage of starch and saccharine matter, which has escaped decomposition and conversion in the process of "malting," or "mashing;" but this loss is in part compensated to the distiller by the use of the residual grain for the feeding of animals. Hence the feeding or fattening of stock has become an almost invariable accompaniment to every distillery; and it has not unfrequently happened, in past years, when competition had largely reduced the price of spirits; that the principal profit of the distiller has been drawn from this department of his business.\*

**REDUCTION, SINCE 1860, IN THE PRODUCTION AND CONSUMPTION OF DISTILLED SPIRITS IN THE UNITED STATES.**

Since 1860, when the foregoing returns of the Census Office were made, a very large reduction in the distillation and consumption of distilled spirits in the United States has taken place. The first, and undoubtedly the largest element in such reduction, has been the disuse of alcohol for the preparation of *burning fluid*, which is commercially prepared by mixing one gallon of rectified spirits of turpentine (*camphene*) with from four to five gallons of alcohol. Each gallon of alcohol thus used requires 1.88 gallon of *proof spirits*; by which is to be understood a mixture of about fifty per cent. alcohol and fifty per cent. water.

For some time previous to the year 1861 the use of burning fluid in the United States as an illuminating agent, in places where coal-gas was not available, was almost universal. Its price, from 1856 to 1861, ranged from forty-five to sixty-five cents per gallon.

It would appear, by the investigations made into this subject by the commission, that the amount of alcohol converted into burning fluid by mixing with rectified spirits of turpentine, (*camphene*), and consumed during the year 1860, could not have been less than twelve millions of gallons, which must have necessitated the use of upwards of nineteen millions of gallons of *proof spirits*. At the south and west, however, large quantities of burning fluid were prepared by mixing the alcohol directly with the *crude* or commercial spirits of turpentine, without subjecting the latter constituent to rectification; which amount being allowed for, would probably increase the figures above given by one-third, and make the total consumption of alcohol, for the preparation of burning fluid in the country, during 1860, *sixteen millions of gallons, requiring over twenty-five million gallons of proof spirits.*

Since 1862 the production and consumption of burning fluid in the United States have almost entirely ceased, and its price on the 1st of September, 1865, was reported to the commission as about four dollars per gallon. This result may be attributed mainly to the discovery of petroleum, and the use of its cheaper and less dangerous derivatives for illuminating purposes, and partially to the high price of spirits of turpentine in consequence of the rebellion, this article having advanced from forty-seven cents per gallon in 1860 to two dollars

\* Considerable prejudice exists, in some sections of the country, against the use of the exhausted grain residuum of a distillery for the feeding of stock, the same being popularly designated by the name of "swill." Such prejudice, as respects this material, is believed, however, to be wholly unfounded, as chemical examination, in all instances, detects nothing in the so-called "swill" other than perfectly nutritious and healthful substances—vegetable fibre, starch, and saccharine matters—all in a condition well adapted for digestion and assimilation by animals.

† "So extensive was the manufacture of burning fluid, that in the city of Cincinnati alone it was estimated that there was a consumption of that fluid to such an extent that an amount of alcohol equal to the product of twelve thousand bushels of corn was required in its manufacture for every 24 hours."—*Mr. Holman. Debate in the House of Representatives, April 22, 1864. Congressional Globe, 1st session Thirty-eighth Congress, Part 2, p. 1822.*



and fifteen cents per gallon at the close of 1864. With a return of spirits of turpentine to its former price, and a reduction of the tax on distilled spirits, it is the opinion of dealers most conversant with the trade that a partial revival of the business of manufacturing burning fluid may be expected.\*

Another important element in the reduction of the production of distilled spirits in the United States in 1864-5, as compared with the production of 1860, has been the extensive disuse of alcohol for a multitude of industrial purposes other than the manufacture of burning fluid. From 1856 to 1862 the price of alcohol in the New York market ranged from 30 to 60 cents per gallon, and this excessive cheapness induced a most extensive use of it in the manufacture of varnishes, hat stiffening, furniture polish, perfumery, tinctures, patent medicines, imitation wines, transparent soaps, percussion caps, picture-frames, and in dyeing, cleaning, lacquering, bathing, and for fuel. With an increase of price since July, 1862, to \$4 and upwards per gallon, the use of alcohol for all the above-named purposes has largely diminished, or entirely ceased. The following returns made to the commission by the firm of William Tilden & Nephew, of New York city, (extensive manufacturers of varnish,) showing the amount of alcohol purchased, and the price paid, in their business, from January 1, 1860, to August 1, 1865, well illustrate the reduction of consumption in this specific branch of industry :

Year.	Gallons of alcohol 92 per cent.	Equivalent number of proof gallons.	Average price of alcohol per gallon.	Total amount paid.
1860 .....	17,603	32,390	\$0 45 $\frac{4}{10}$	\$7,996 90
1861 .....	10,788	19,850	0 34 $\frac{3}{10}$	3,700 27
1862 .....	45,566	83,841	0 54 $\frac{5}{10}$	24,852 64
1863 .....	none purchased.	.....	.....	.....
1864 .....	18,223	33,530	2 46 $\frac{4}{10}$	44,915 34
1865 .....	4,188	7,706	4 25 $\frac{5}{10}$	17,819 27

Other varnish manufacturers report an even larger reduction in the consumption of alcohol than as above indicated, the rates given, in one instance, being as great as 20 to 1. It may here be further stated, that notwithstanding the diminished use of alcohol in the preparation of varnish, it does not appear that the quantity of varnish manufactured has been correspondingly reduced; other and cheaper solvents for the constituent gums, such as benzole, spirits of turpentine, and wood-naphtha, having been substituted. The varnish thus prepared is, however, inferior to the alcohol varnish. Again, "hatters' stiffening," composed of shellac dissolved in spirits of ammonia, or of a patent preparation of glue and other substances, has been very extensively substituted, in the manufacture of hats, in place of the stiffening formerly used, which was composed of shellac dissolved in alcohol. The use of steel springs and the quilting of the brims of hats has also been adopted as new means of stiffening; while the high price of alcohol shellac stiffening has also undoubtedly favored the extensive substitution of cloth as a material for hats in the place of felt or

\* As a curious illustration of the changes in business induced by the use or disuse of a general article of consumption, it may be observed that the testimony offered to the commission shows that the demand for glass lamps and their appurtenances, adapted to burn the derivatives of coal-oil or petroleum, consequent upon the introduction and use of these substances as illuminating agents, was sufficient to employ the whole manufacturing capacity of the glass-works of the country for a period equivalent to nearly two years. The number of lamps of this character exported was also very great.

silk plush. In many of the hat manufactories of the country the consumption of alcohol prior to the imposition of the tax was in excess of a barrel per week. The present consumption of the same establishments is very small.

In some instances entire branches of business have been destroyed in consequence of the great advance in the price of alcohol. An instance in illustration of this may be mentioned in the manufacture of an article known as "*wallosin*"—a good substitute for whalebone in umbrellas—made of ratan saturated, under pressure, with a composition of alcohol and shellac. Owing to the high price of alcohol, the persons engaged in this manufacture have been compelled to entirely abandon it, with a heavy loss to themselves, and to the great loss and detriment of the makers of umbrellas, who formerly made extensive use of this article in the place of the more expensive whalebone, and have nothing now left to use except the common ratan and steel.

Another business which has been most seriously affected by the increased price of alcohol in consequence of the tax, is the manufacture of iron utensils—pots, kettles, and pans—enamelled upon their interior surfaces. The substance forming the enamel in this manufacture requires to be laid on a polished surface, in the form of a paste, and the article is then subjected to a high temperature. If water is used in the formation of the paste, the surface receiving the enamel has a tendency to become tarnished or to rust, thus preventing adhesion; or the water present in the paste evaporates, on the application of heat, in the form of steam, and tends to displace or crack the enamel. No other substance than alcohol has yet been found suitable for the preparation of this "enamel paste;" and, with the rise in the price of alcohol from forty cents to four and a half dollars per gallon, the business in question, which competes with a similar foreign product admitted under a low rate of duty, has been in a great measure broken up.

The manufacture of vinegar from whiskey has also been largely diminished by reason of the great advance in price of the distilled spirits used; while the advance, in turn, in the price of vinegar has had the effect to diminish the export of this article to foreign countries, to curtail the manufacture of pickles from *one-third to one-half*, and also to seriously affect the manufacture and cost of white lead. It is within the knowledge of the commission that large orders for the importation of white lead from Europe have recently gone forward, a circumstance without any recent precedent.

Druggists and pharmacutists have estimated the reduction in the use of alcohol in their general business as at from *one-third to one-half*. The committee of the American Pharmaceutical Association represent to the commission that, by the high tax on distilled spirits, "manufacturing pharmacy has suffered more than any other branch of manufacture which is based on public necessity, and that the doubly-increased cost of all pharmaceutical products thereby affects the middle classes and the poor more than it does the educated classes and the rich, because the latter, from the better sanitary conditions and provisions which education and wealth secure to them, use and need less medicine."

Manufacturers of medical tinctures, perfumery, and proprietary medicines, almost unanimously represent to the commission that the domestic demand for their preparations has fallen off in consequence of the high price of alcohol, to the extent, in some instances, of more than two-thirds. To this the high rates of duty imposed on drugs—in the case of opium, 200 per cent. advance since 1861—have also contributed; and it is the opinion of the commission that a reduction of the present tariff on certain drugs used in the preparation of liniments, tinctures, and perfumery, would be more than compensated to the revenue by an increase in the consumption of alcohol. The foreign demand for American preparation of drugs, perfumery, and proprietary medicines, involving the use of alcohol or pure spirits, is very large, especially from the West Indies, Central and South America; and as upon all these articles, when exported, a drawback

equivalent to the duties imposed upon them is allowed, this demand has not only not diminished during the last few years, but has constantly increased. Large establishments manufacturing these articles in bond, under the regulations of the Treasury Department, preparatory to export, now exist in New York, Philadelphia, Providence, and other cities.

In this connexion, the commission call attention to the enormous quantities of alcohol and pure spirits heretofore used in the United States by the manufacturers of patent or proprietary medicines, or other popular preparations, and would illustrate the fact by the following transcript of entries on the sales-book of a single distilling and rectifying firm in the city of New York :

	Gallons.
Sales for tricophorous, 1856.....	19, 040
Sales for tricophorous, 1857.....	17, 760
Sales for tricophorous, 1858.....	16, 720
Sales for pain-killer, 1856.....	41, 195
Sales for pain-killer, 1857.....	39, 375
Sales for imitation liquors, 1856.....	125, 000
Sales for "Florida water and extract of sarsaparilla," 1864.....	81, 300
Sales for kathairon, 1855.....	12, 657

What additional quantities of spirits may have been bought elsewhere during the same period by the above-mentioned manufacturers, the house furnishing these accounts of sales is not cognizant; but the fact that large purchases were also made of other parties, in some instances, was known. A single firm in Lowell, Massachusetts, also reports to the commission a consumption of distilled spirits of *one hundred thousand gallons* per annum; while another, in western New York, engaged simply in the manufacture of a horse medicine, reports a consumption, prior to the tax of \$1 50 per gallon, of upwards of fifty thousand gallons *proof spirits* per annum.

Instances are also reported of individual hair-dressers using 400 gallons of alcohol (equal to 750 gallons of proof spirits) yearly in their local business; and of others, whose consumption of alcohol, in the preparation of articles having merely a local sale, has reached 2,000 gallons per annum.

The business of manufacturing fluid or solid extracts, or the concentrated medical principle of plants, also suffers greatly by reason of the increased cost of alcohol. Most of the active and solid medicinal principles of plants—the alkaloids and resinoids—which are extracted with alcohol, have advanced in price from 100 to 300 per cent. The increased cost of fluid extracts is also said to counterbalance whatever claims these preparations may possess of convenience of administration and effect, and physicians, especially those in the country, are abandoning the use of these articles, and falling back upon the old usages by employing crude drugs, decoctions, sirups, &c.

It is also represented to the commission, by members of the American Pharmaceutical Association, that the high tax on alcohol is having the effect of causing officinal preparations to be prepared and put up of less than their proper strength, thus inflicting an injury upon the whole community.

For the manufacture of "*imitation wines*," the demand for distilled spirits has also, heretofore, been very large; four firms in the city of New York having reported to the commission a consumption of 225,000 gallons of pure spirits for this purpose during the year 1863. Large quantities of neutral, or pure spirits, have also heretofore been used in the United States for the "fortifying" of cider to prevent or retard acidification, especially for cider intended for export to tropical countries, to the southern States, or to the Pacific coast. One distiller, in western New York, reports to the commission a regular sale during the year 1862, of *eight thousand gallons of proof spirits per month* for this purpose. No considerable sale of distilled spirits for the manufacture of "*imi-*

tation wines," or for the "fortifying" of cider, are reported to the commission since July, 1864.

In all branches of the industrial arts, where the continued use of distilled spirits is indispensable, and no cheaper substitute can be provided, the utmost economy in its employment is everywhere reported. As an illustration of this fact, it is stated to the commission that in a large establishment in New York city manufacturing silk hats of the first quality, the following plan is resorted to: the hat body, after being thoroughly immersed and saturated with the stiffening preparation, (gum dissolved in alcohol,) is immediately placed in a close metallic box, or receptacle, and subjected to a current of steam, which both dries the gum and vaporizes and transports the alcohol (employed as a solvent for the gum) to a condenser; while from the product of the condensed vapors the alcohol is subsequently recovered by redistillation and again used. A similar economy for the recovery of spirits in the residuum of the manufacture of tinctures, liniments, &c., is also reported as adopted by druggists and pharmacutists, and small stills invented for this special purpose are extensively sold and used.

Among the articles used as substitutes for alcohol in the industrial arts, we may mention benzole, and other derivatives of petroleum or coal oil, wood naphtha, fusil oil, and spirits of turpentine. Again, four years since, nearly every preparation sold for the treatment of the hair contained alcohol as a basis; now, alcohol has been substituted in such manufactures almost entirely by preparations of oils or fats. Alcohol was also formerly used, to a very considerable extent, in many large manufacturing establishments—as cotton mills, foundries, &c.,—as a solvent for gums and glues, which were applied for the protection of rollers and patterns against moisture, or for the fastening of belts used in communicating power. Where barrels of alcohol were formerly demanded for such purposes, gallons are now made to suffice.

The commission further note the reception, by them, of memorials or communications, from the curators of some of the leading museums of the country—*anatomical or natural history*—attached to institutions of learning, setting forth, that owing to the high price of alcohol (four dollars and fifty cents per gallon,) they are not able to make good the constant waste of this substance (by evaporation and leakage) as employed by them for scientific purposes; and that, in consequence thereof, many important collections are becoming rapidly impaired in value, while the progress of scientific discovery and research is greatly impeded.

Another element contributing largely to a reduction in the production of distilled spirits in the United States in 1865, as compared with that in 1860, has been the diminished demand for spirits for drinking purposes. The extent of reduction from this cause is not easily estimated. The commission have examined a large number of persons, from all sections of the country, on this topic—manufacturers and dealers in liquors, United States revenue officers, and others—and have to report a very wide discrepancy of opinion. A few, and these mainly from the west, estimate the reduction in the consumption of distilled spirits for drinking, since the imposition of the \$1 50 and \$2 per gallon tax, at as high a proportion as 75 per cent.; while others, of equally good judgment, state that they are unable to recognize much, if any, difference in the amount drunk at present, as compared with former years. Much of the discrepancy of opinion is, however, undoubtedly due to the difference in the stand-points occupied by the various observers, inasmuch as it seems clear to the commission that by far the largest proportion of the reduction in the consumption of spirits for drinking has been on the part of the working or poorer classes of our population, and has been very considerable; while as respects all those classes with whom, by reason of abundant means, the enhanced price of liquors is a matter of but slight consideration, the consumption of distilled spirits has probably not been diminished, and in some sections has doubtless increased.

Previous to the imposition of the tax by the national government, raw whiskey was retailed at almost every point in the country at from seven to fifteen cents per quart, or from twenty-five to forty cents per gallon. With these low prices it was within the ability of every laborer to indulge freely, and this ability was very largely taken advantage of, especially at the close of a week, or at the periodical settlement for wages. It was also a very general custom, in many parts of the country, for agriculturists to buy whiskey by the barrel for the use of their farming help, and to use it freely as a beverage during the season of harvesting. With the advance in the price of whiskey to sixty cents per quart, \$2 25 per gallon, and \$125 per barrel, its free use was found expensive; and accordingly the testimony presented to the commission is unanimous to the effect that, with the above-mentioned class of consumers, the reduction in consumption has been very considerable. With those who have been unwilling to give up drinking entirely, beer has been largely substituted for whiskey. No marked diminution in the sales of liquors to the poorer classes of consumers appears to have been noticed by country retailers until the tax was raised to above sixty cents per gallon.

On the other hand, the testimony of the leading retail and package dealers in liquors in many of the large towns and cities is generally to the effect that their business, *in the aggregate*, has not been diminished by reason of the high rates of duty. The demand for the so-called "foreign" or "imported" liquors—brandies, rums, gins, &c.—has largely fallen off, but this loss has been fully supplied by an increased sale of American whiskey. In fact, the imposition of the high rates of duty would seem to have nationalized this liquor as a beverage, every variety being sold under the common name of "Bourbon." One prominent retail dealer in New York testified before the commission that where, during the past two years, he had lost the sale of *four* gallons of foreign brandy, he had gained a sale of *twelve* gallons of whiskey.

Furthermore, from the testimony offered to the commission, it seems to be the opinion of those most competent to judge, that during the last four years, either by reason of the excitements of the war, or of the high prices of alcoholic liquors, the consumption of certain drugs, which can be used as substitutes for spirits, has largely increased.

Of the opium imported into the country, it is estimated that *four-fifths* are used under various forms and popular names for purposes closely allied to the uses of spirituous liquors; leaving only one-fifth for legitimate medical necessities. The extract of Indian hemp (*cannabis Indica*) is also undoubtedly used extensively in the United States for producing the stimulating effect of spirits; and so great has been the demand for a popular medicine composed mainly of this deleterious substance, that its manufacture at times absorbs nearly all of this drug imported into the country—to such an extent, even, that regular pharmacutists have, at times, found it extremely difficult to obtain a sufficiency of it of proper quality for their legitimate business. It is not probable that many of the persons using the preparations above referred to are fully aware of their highly dangerous character, and it is a question worthy of serious consideration whether the business of preparing and vending such poisons, under attractive and deceptive names, should not be forbidden by law. In regard to another matter bearing upon the same point, the commission content themselves by quoting in this place an extract from the testimony of one of the most competent and trustworthy witnesses that have appeared before them:

"Question 640. Do you think that proprietary medicinal preparations composed largely of spirits are now, to any effect, used for their stimulating rather than for their real medicinal effects?"

"Answer. I do believe they are largely so used. I have heard, on credible authority, that many of the applicants for the benefit of the recently established *inebriate asylum* in this State (New York) have had their vice traced to the use

of alcoholic preparations sold as medicines. I mean to be-  
 cinal preparations, such as are put up and sold under nam  
 alcoholic constituents and effects. There is a large and inc  
 prietary medicinal preparations, so called, made, advertised, a  
 the fashionable elixirs, tonics, bitters, sirups, cordials, &c., wi  
 of spirits; and these, in my opinion, are largely contributing to  
 foundation of our social condition, chiefly by gaining admittance, u  
 guise of medicines, to the abodes of women and children, who are thus corrupted  
 while yet unsuspecting of exposure to danger. This class of preparations, and  
 the prostitution of the pharmacutists' 'soda fountain' to but partially-concealed  
 tippling through the use of brandy, whiskey, and spirituous sirups and cordials,  
 are rapidly endangering a portion of society, namely, ladies and children, whom  
 I trust the law-makers will not fail in some way to protect."

168 per d.  
 ar.

#### CONSUMPTION OF DISTILLED SPIRITS IN THE UNITED STATES FOR DRINKING PURPOSES, PER CAPITA.

The question naturally next arises, what is the present consumption of distilled  
 spirits in the United States, *per capita*, for drinking purposes? On this point  
 the commission are not aware that any accurate investigations have heretofore  
 been made, or the results of any reliable inquiry have ever been laid before the  
 public; and consequently, through the absence of all positive data, any conclu-  
 sions which may be arrived at must necessarily be regarded as only approximate.  
 Partial criteria, however, for the formation of an opinion on this subject, can  
 undoubtedly be derived from the accurate statistical returns respecting the con-  
 sumption of distilled spirits in Great Britain, the population of which country  
 closely corresponds to that of the United States, in respect to numbers, charac-  
 ter, and habits. These returns indicate a constantly increasing consumption of  
 spirits by the British people during the sixty years which have elapsed from  
 1800 to 1860. Thus, in 1801 the average consumption was two-tenths (.2) of  
 a gallon per head; in 1811 it was seventy-two one-hundredths (.72) per head;  
 and in 1821 it had fallen to forty-six one-hundredths, (.46.) In 1831 the con-  
 sumption was reported at nine-tenths (.9) of a gallon per head; from which  
 limit it receded, in 1841, to seventy-seven one-hundredths (.77) of a gallon per  
 head. In 1851 it, however, rose again to eighty-seven one-hundredths (.87,) and  
 in 1859 it was reported at eight-tenths, (.8.) It should, however, be stated  
 that a part of the apparent increase in the *per capita* consumption of spirits in  
 Great Britain, since 1841, was undoubtedly due to the suppression of illicit dis-  
 tillation, which augmented the amount of spirits subject to official cognizance,  
 without a corresponding actual increase in consumption.

In 1858 the excise taxes on distilled spirits in Great Britain (which in 1854  
 were seven shillings and tenpence (\$1 96) per gallon in England, four shillings  
 and eightpence (\$1 17) in Scotland, and three shillings and fourpence (\$3 cents)  
 in Ireland) were equalized, and a uniform rate of eight shillings (\$2) per gallon  
 was adopted throughout the entire kingdom, which excise was afterwards ad-  
 vanced, in 1861, to a higher and uniform rate of ten shillings per gallon, the  
 present rate of excise.

The effect of the addition of two shillings (50 cents) to the rate of duty prior  
 to 1861 was to cause a reduction in the consumption of spirits, without, however,  
 any considerable reduction of the revenue; the consumption in 1862, according  
 to Mr. Gladstone, having been reduced as low as two-thirds (.645) of a gallon  
*per capita*; which rate, from the report of the commissioner of inland revenue,  
 appears to have increased somewhat for 1864; the number of gallons charged to  
 consumption in this latter year being 20,231 125 against 19,760,882 in 1863.

The average annual consumption of foreign and colonial spirits by the British  
 people from 1860 to 1864 is further returned at about three-tenths of a gallon

and ; so that with this addition we have as the total present annual consumption in Great Britain, of spirits of all kinds for drinking purposes, a quantity equivalent to about eight-tenths (.79) of a gallon for every inhabitant of the kingdom. The consumption of wine in great Britain for 1864 was estimated by the commissioners of the inland revenue at three-eighths (.38) of a gallon *per capita*.

The distribution of the consumption of spirituous and fermented domestic liquors among the British people is in a measure indicated by the amount of excise paid on these articles by the different classes of the population. Thus, in 1859, the revenue derived from excise on spirits and malt was £15,500,000 (\$77,500,000.) Of this sum, according to Prof. Leone Levi, the so-called upper classes, numbering about one million individuals, paid about £3,100,000 (\$15,500,000;) the so-called middle classes, numbering about nine millions, paid £2,200,000 (\$6,000,000;) and the working classes, numbering about eighteen millions, paid £7,200,000 (\$36,000,000;) or, in other words, the upper classes paid in taxes to the government, on the spirituous and fermented domestic liquors consumed by them, and for the licenses for the sale of the same, \$15 50, the middle classes \$2 88, and the working classes \$2 per head.\*

The testimony of all the persons competent from observation and experience to form an opinion on this subject, who have appeared before the commission, is unanimously to the effect that the consumption *per capita* of distilled spirits in the United States is considerably in excess of that in Great Britain; and one gentleman of large intelligence, who for many years held a place of high responsibility in the British excise department, and who has since, for a period of several years, been conversant with the importation and sale of liquors in the United States, estimates the consumption of spirituous liquors for drinking purposes in this country *as equal, at least, to a gallon and a half per capita*.

So marked a difference as this, however, in the consumption of distilled spirits by the people of the two nations of the United States and Great Britain must, it would seem, have heretofore excited attention and comment; and we are, therefore, inclined to consider the estimate of a gallon and a half per head for the consumption of the United States as somewhat exaggerated.

A comparison of the licenses granted in the two countries for the retailing of distilled spirits gives the following results. The whole number of licenses granted in Great Britain for the year ending March 31, 1865, was 107,933. The whole number granted in the loyal part of the United States for the year ending June 30, 1865, as estimated from the receipts, was 88,235. Adding 20,000 additional licenses as the theoretical number required to supply the retail demand for spirits in that part of our country not subject, during the fiscal year 1864-'65, to the operation of the national revenue laws, we have 108,235 as the probable number representing the retail business for the sale of liquors in the entire United States.†

The manner in which liquors are retailed in the United States and in Great Britain differs somewhat. In the former, when a "drink" of distilled spirits is called for, the bottle or decanter is passed and the purchaser helps himself *ad libitum*; in the latter, on the contrary, every quantity of spirits retailed is

\* Some calculations have been made of the sum annually spent in the United Kingdom for British and foreign spirits. It is estimated that the consumer pays for every gallon of spirits used three times the amount of duty, and at this calculation the expenditure for rum will amount to £4,000,000, (\$20,000,000;) for brandy, £3,400,000, (\$17,000,000;) and for British spirits, not less than £28,000,000, (\$140,000,000,) making in all £35,000,000, (\$175,000,000.) If to this amount we add £30,000,000 spent in beer and £5,000,000 in wine, we have a grand total spent in wines, spirits, and beer, of nigh £70,000,000, (\$350,000,000,) a sum exceeding the taxation of the United Kingdom, and amounting to ten per cent. of the whole income of the country.—Prof. Leon Levi "On Taxation." London, 1860.

† The rate of duty on an annual license to retail spirits in the United States for 1863-'64 was \$20; for the year 1864-'65, \$25. This duty on licenses in Great Britain varies from \$11 to \$23 per annum, according to the rental of the pre-  
ed.

measured by the seller, and accurately proportioned to the price to be received. This custom prevails equally in Great Britain in the leading hotels and club-houses as in the lowest "dram-shops;" the original signification of the term "dram-shop"—i. e., the place where liquor is sold by the fluid drachm, or other measure—being in fact due to this British trade peculiarity. It may also be remarked, in this connexion, that "fancy" or "mixed" preparations of spirits, which, from their agreeable appeal to the taste, may be regarded as incentives to consumption, such as "cobblers," "smashes," and "cock-tails," &c., are all peculiarly American, and are little known or used in Great Britain.

The amount received in the United States from licenses granted to wholesale dealers in liquors (\$50, and \$1 for every \$1,000 of sales above \$50,000) for the year ending June 30, 1865, was \$400,693. In Great Britain the rate per annum imposed on wholesale dealers in liquors is £10 10s., (\$52 50.) and the amount received from such licenses for the year ending March 31, 1865, was \$240,030.

In respect to the consumption of distilled spirits in the British North American Provinces, the commission, through the courtesy of members of the various provincial governments, are enabled to present some very satisfactory data.

In Canada, the annual production of distilled spirits, according to the official reports of the minister of finance, has been, since 1861, as follows:

1862.....	3, 875, 073 gallons, tax 15 cents per gallon.
1863.....	3, 661, 668 " " " "
1864.....	3, 518, 408 " " " "
1865.....	2, 973, 130 gallons, tax 30 cents per gallon.

Assuming the population of Canada to be 2,506,755, (census of 1861,) this would give an annual *per capita* production of distilled spirits of 1.55 gallon for 1862; 1.46 gallon for 1863; and 1.40 gallon for 1864.

The present population of Canada is estimated at 2,900,000, which, adopting the returns of production of distilled spirits of 1864-'65, would give 1.02 gallon *per capita*. During the year 1864-'65, 542,118 gallons of distilled spirits were returned as imported into Canada, and 29,297 gallons as exported during the same time. Making an allowance for this additional quantity, and also for what escaped the excise, we have, as the probable consumption of distilled spirits in Canada, for all purposes, an amount in excess of  $1\frac{1}{4}$  gallon *per capita*.

In New Brunswick, where, as before stated, there is no domestic production of distilled spirits, the quantity of the same imported for 1860, 1861, and 1862, was as follows:

1860.....	317, 593 gallons.
1861.....	320, 380 gallons.
1862.....	302, 115 gallons.

The quantity imported in 1862 was classified as follows: alcohol, 144,015 gallons; brandy, 30,437 gallons; gin and whiskey, 98,900 gallons; rum and other spirits, 28,763 gallons; total, 302,115 gallons.

The population of New Brunswick, by the last census, was 252,047, which would give an annual importation of spirits of  $1\frac{1}{4}$  gallon *per capita*. If we could reduce the returns of importation into proof gallons the *per capita* figures as above given would need to be considerably increased.

The following table shows the estimated importations of spirits into Nova Scotia (in which province, like New Brunswick, there is no domestic production of distilled liquors) for the following years:

1860.....	560, 000 gallons.
1861.....	260, 000 gallons.
1862.....	470, 000 gallons.



The population of the province of Nova Scotia being by the last census 330,857, we have, as the average annual importation of spirits, 1.30 gallon per head.

For Prince Edward's island the production and importation of distilled spirits is estimated at about one gallon per head; and the same estimate is made for Newfoundland.

The bulk of the spirits, however, returned as imported into the provinces of New Brunswick, Nova Scotia, Prince Edward's island, and Newfoundland, is undoubtedly consumed by that part of the population engaged in the fisheries and in the lumber business.

With these data before them, the commission are inclined to believe that about 39,000,000 gallons of distilled spirits are required to meet the present annual demand of the present population of the United States for drinking purposes, (being nearly 1½ gallon per head of the whole population,) and they are of the opinion that the quantity so required, under the present tax of two dollars per gallon, is not likely to be for some years in excess of this estimate.

The quantity of raw spirits (whiskey) required to meet the demands of New York city and its immediate precincts, prior to 1862, is estimated by distillers and others conversant with the trade to have been from eight hundred to one thousand barrels daily, or from twelve to fifteen millions of gallons per annum. Of this amount one-half is set down as having been consumed in New York for drinking and other purposes; while the balance, having been converted into alcohol, pure spirits, imitation liquors, medicinal preparations, &c., found a market elsewhere.

The number of establishments where liquor is sold at retail in the city of New York, according to the testimony of Mr. Kennedy, superintendent of police, is upward of *eight thousand*. The amount of liquor sold over the bars of some of the largest hotels, restaurants, and drinking-saloons, is reported as equivalent to a barrel of fifty gallons proof spirits per diem; while the sales of many establishments considered small are estimated as equivalent to a barrel per week. Previous to the imposition of the tax, the sales of one jobbing-house for drinking purposes are reported to the commission as averaging one hundred barrels per day.

The proprietors of the largest wholesale commission house dealing in whiskey and high wines in the city of New York report to the commission that their average receipts of high wines and whiskeys, shipped from the west direct, were formerly at the rate of *one hundred thousand barrels* (6,000,000 to 7,000,000 proof gallons) per annum, and of this amount they give it as their opinion that "*more than one-half was used directly as a beverage.*" The present average annual receipts of this house do not exceed fifty thousand barrels.

As the estimated excess in the consumption of distilled spirits *per capita*, in the United States, over the corresponding amount consumed in Great Britain, may be questioned by some, the commission would call attention to the following circumstances: The number of gallons of spirits consumed in the United Kingdom, for drinking purposes, in the year 1864-'65, was 20,369,844 gallons; the number of barrels of beer consumed in Great Britain in the same year was 22,037,902, or seven-tenths of a barrel per head of the population. The quantity of malt charged with duty the same year was 48,538,412 bushels. In an average of years, one bushel of malt yields two gallons of proof spirits, so that the malt yearly made into beer in Great Britain would yield the enormous quantity of 97,176,824 gallons. In the fermentation of the wort, or extract of malt, for the manufacture of beer, the whole of the sugar is not transformed into alcohol, but from one-quarter to one-half may remain unchanged in the beer. "The quantity of malt, therefore, which is consumed in Great Britain for the making of beer does not, in reality, indicate the consumption of so large a *number of gallons of proof spirits as the distiller would extract from it.*" But

allow one-quarter of the whole for the quantity of sugar remaining unaged in the beer, the annual quantity of proof spirits actually consumed in Great Britain in the form of beer would be 72,882,618 gallons. Adding this amount to the quantity of distilled spirits returned as "consumed," it would appear that the consumption of ardent spirits in Great Britain *per capita* is far in excess of that in the United States, as estimated by the commission, the entire annual consumption of beer in the United States being estimated at between five and six millions of barrels.

**EXPORTS.**—In estimating the annual production of distilled spirits available for assessment and revenue, it is obvious that all exports subject to drawbacks, in addition to the excise duties imposed upon them, and all spirits exported in bulk, must be deducted. The quantity of spirits thus exported from the United States to foreign countries is extremely variable, and depends mainly upon the abundance or scarcity of the crops in Europe. The following table, prepared for the use of the commission by the Treasury Department, shows the registered exports of spirits derived from grain, from the several ports of the United States, from 1855 to the close of the fiscal year June 30, 1865, inclusive:

Years.	Domestic distillation.		Foreign distillation.	
	Gallons.	Dollars.	Gallons.	Dollars.
3.....	360, 633	141, 173	20, 401	16, 352
4.....	780, 056	280, 648	38, 635	25, 429
5.....	742, 961	384, 144	23, 204	12, 909
6.....	897, 348	500, 945	91, 488	54, 774
7.....	2, 167, 924	1, 248, 234	21, 456	15, 359
8.....	1, 000, 997	476, 722	40, 794	25, 028
9.....	557, 313	273, 576	61, 354	35, 295
0.....	784, 135	311, 595	52, 551	31, 862
1.....	2, 294, 181	867, 954	35, 730	21, 104
2.....	768, 295	328, 834	36, 231	19, 353
3.....	2, 633, 391	1, 390, 610	41, 062	24, 414
4, alcohol whiskey..	{ *943, 311 157, 313	{ 575, 448 145, 938	{ 60, 238	{ 62, 092

\*Total, 1,949,603 proof gallons.

It will thus be seen, that the quantity of distilled spirits exported since 1856 never attained so high a figure as six million gallons, the quantity assumed by the Commissioner of Internal Revenue in his report for 1864.

It might naturally be supposed, judging *a priori*, that by reason of the extraordinary low price which grain commands, in fruitful years, in many parts of our country, the American distiller and rectifier might successfully compete for and command the sale of high-wines and alcohol in foreign markets over manufacturers of all other countries. Such, however, is not the case. Great Britain, which now yearly imports from foreign countries over four bushels of grain *per capita*, for her consumption exports on an average, annually, nearly double the quantity of distilled spirits that are exported from the United States,\* as will be seen by the following table:

In consideration of the increased cost of manufacturing spirits, caused by the enforcement of recent and stringent excise regulations, the amended act of Parliament, 1860, grants a allowance or bounty of twopence per proof gallon, in addition to all drawbacks or abatements of duties, on all plain British spirits shipped as stores, exported to foreign countries, or stored in customs warehouse for exportation, or for fortifying wines.

British spirits (proof gallons) exported	1861,	2, 995,051
“ “ “	1862,	3, 926,242
“ “ “	1863,	4, 410,948
“ “ “	1864,	4, 381,216

A part of the recent increase in the British exports of spirits is attributed (and probably most correctly) to the disturbance of the American trade in consequence of the war. Thus, according to the report of the commissioners of inland revenue of Great Britain for 1863, the exports of British spirits to Turkey increased from 3,272 gallons in 1862, to 638,297 in 1863; to Sardinia and Tuscany, in the same year, from 1,738 gallons to 524,018; to Naples and Sicily, from 137 gallons to 72,741; and to the West Coast of Africa, from 268,128 gallons to 357,458. Another striking illustration of the competition to which American high-wines and alcohol are subjected, is to be found in the fact that, within the last three years, New York manufacturers have found it expedient to import alcohol from Germany, to be worked up into medicinal preparations and perfumery, in bond (paying for the same in gold, with freight and commissions,) rather than supply themselves in the New York market.

With the removal of trade disturbances, consequent upon the war, and with the return of grain and labor to *ante-war* prices, there seems no reason to doubt that, under the present treasury regulations, the American export of spirits will maintain its former proportions and increase; although it is the opinion of many that, with the reduction in the demand for French brandies consequent upon the high customs duties imposed on the same, the exportation of American alcohol to France will be permanently and proportionally diminished.

#### PRODUCTION OF DISTILLED SPIRITS THEORETICALLY AVAILABLE FOR UNITED STATES ASSESSMENT AND REVENUE.

After a careful review and consideration of the facts as above presented, and after conference with many of the principal dealers and manufacturers from all sections of the country, the commission are of the opinion that, with the maintenance of the present tax of two dollars per gallon, the quantity of distilled spirits which may be expected to be produced and rendered subject to assessment for the immediate future will be from forty-two to forty-five millions of gallons, capable of yielding a revenue of from eighty-four to ninety millions of dollars.

#### RESULTS OF THE TAXATION OF DISTILLED SPIRITS FROM JULY 1, 1862, TO JUNE 30, 1865.

The first tax imposed by Congress, under the present revenue system, on distilled spirits, was twenty cents per gallon. (Act of July 1, 1862.) The revenue derived from the same for the fiscal year ending June 30, 1863, was \$3,229,991, which amount corresponds to a production of 16,149,955 proof gallons.

The tax of twenty cents per gallon continued in force until March 7, 1864, when the rate was advanced to sixty cents per gallon. (Act of March 7, 1864.) The revenue derived from distilled spirits for the fiscal year ending June 30, 1864, under the two rates as above indicated, was \$28,431,798.

On the 1st of July, 1864, the tax on distilled spirits was raised to one dollar and fifty cents per proof gallon, (act of June 30, 1864,) which rate was further advanced on the 1st of January, 1865, to two dollars per proof gallon, the present rate of duty.

The revenue derived from distilled spirits for the fiscal year ending June 30, 1865, under the two rates of tax as above indicated, was \$15,995,701 66.

The average taxable production of distilled spirits per year, from September 1, 1862, to June 30, 1865, as returned to the department, was 40,537,371 gallons.

The following table exhibits the amount received from licenses from distillers, rectifiers, and wholesale and retail dealers of liquors, for the fiscal years ending on the 30th of June, 1863, 1864, and 1865:

	1863.	1864.	1865.
Distillers, \$50.....	\$42,116 67	\$13,923 40	\$16,929 52
Distillers, \$25.....	16,533 77	26,516 75	29,731 70
Distillers of apples and peaches.....	9,983 87	8,581 26	13,236 35
Rectifiers.....	45,993 79	58,828 28	48,781 52
Wholesale dealers.....	384,160 07	176,764 76	400,692 91
Retail dealers.....	1,477,753 54	1,612,736 25	2,205,866 38
<b>Total.....</b>	<b>1,946,541 71</b>	<b>1,897,350 70</b>	<b>2,715,238 38</b>

The following table exhibits the total gross revenue received for the fiscal years ending June 30, 1863, 1864, and 1865, from all excise and customs duties on distilled spirits, wines, foreign and domestic brandy, and upon licenses for the manufacture and sale of the same:

	1863.	1864.	1865.
Excise, domestic spirits.....	\$3,229,990 79	\$28,431,797 83	\$15,995,701 66
Excise, imported* spirits.....		176,038 57	252,690 29
Domestic wines.....	8,823 64	28,302 80	43,216 36
Domestic brandy.....			10,546 19
Licenses for manufacture and sale...	1,946,541 71	1,897,350 70	2,715,238 38
Customs spirits from grain.....	†	†	47,760 00
Customs spirits from other materials.	†	†	140,006 00
Customs spirits from wines and cordials.....	†	†	505,452 10
Customs spirits from brandy.....	†	†	261,535 00

It is obvious, from an inspection of the above returns, that nothing definite can be predicated of the future from the past, in respect to the amount of revenue derivable from distilled spirits, or as to the expediency of adopting any particular rate of duty per gallon. Since the imposition in 1862 of the first tax of twenty cents per gallon, the business of distilling in all parts of the country has been almost altogether speculative, and extremely irregular.

The immediate effect of the enactment of the first three and successive rates of duty was to cause an almost entire suspension of the business of distilling which was resumed again with great activity as soon as an advance in the rate of tax in each instance became probable. The stock of whiskey and high-wines accumulated in the country under this course of procedure was without precedent; and Congress, by its refusal to make the advance in taxation, in any instance, retroactive, virtually legislated for the benefit of distillers and speculators rather than for the treasury and the government. The profits realized by the holders of stocks, thus made in anticipation of the advance in taxation, has probably no parallel in the history of any similar speculation or commercial transactions in this country, and cannot be estimated at less than fifty millions of dollars. If to any this estimate should seem exaggerated, we will simply state that there

\* Forty cents per gallon. (Act of March 7, 1864.)

† Owing to a wide discrepancy between two separate returns, furnished by the Treasury Department, of the amount of duties received from the above articles in the years named, the figures are omitted.

was, in all probability, on the 1st of July, 1864, a stock of high-wines and whiskeys, previously made in anticipation of the tax, sufficient to meet all the requirements of the country for a period of from twelve to eighteen months; and on each gallon of this quantity a premium has been realized, owing to the advance of the tax from sixty cents to two dollars, of from ninety cents to one dollar and forty cents per gallon. As an illustration of the profits realized in particular instances, it has been stated to the commission that one firm manufactured or received under contract for a period of several weeks prior to the one dollar and fifty cent tax, an average quantity of thirty thousand proof gallons per day; the major portion of which was held and sold after the advance of the tax in January, 1865, to two dollars per gallon.

From the testimony submitted it would also appear that prior to the 1st of April, 1865, very little effective effort was really made by the government to enforce the law; and furthermore, that the law, as it now stands, does not afford to the Secretary of the Treasury, or the Commissioner of Internal Revenue, power to make such an organization and detail of inspection as is necessary, in the opinion of the commission, to secure the revenue on the manufacture of distilled spirits, and prevent fraud. Conclusive evidence of this is, they think, to be found in the fact that prior to the date above specified, there were repeated instances, in all sections of the country, where distillers manufactured and fraudulently sold and conveyed to market, without the slightest pretence of concealment, spirits, in quantities ranging from 20,000 to 80,000 gallons and upwards, without a suspicion on the part of the local officers that the business was not conducted in all respects legally and honestly. In some instances, the determination of the strength of the distilled spirits, preparatory to the assessment, has been made by mere physical inspection or taste, and the use of instruments discarded as unnecessary; in others, the barrels have been inspected and branded for some days in advance of their being filled, and the future regulation of the whole matter left with the manufacturer. Distillers or their workmen have not unfrequently been constituted their own inspectors; and at least one case is known to the commission where the assessor, or inspecting officer, apparently did not possess sufficient intelligence to understand and correctly use an hydrometer.

In confirmation of these statements, the commission would invite attention to extracts from testimony taken by them in respect to this subject:

"GEORGE PARNELL, United States revenue agent:

"Question. Under what circumstances were these frauds [of distillers in Illinois] generally committed?

"Answer. They were committed by distillers without any particular attempt at concealment. Whiskey which had not paid a tax was sold or shipped by them in the same manner as whiskey upon which the tax had been paid, without, so far as I could see or judge, any attempt at concealment.

"Question. Then the fraud was due to neglect on the part of government officials?

"Answer. There never has been any officer appointed under the revenue act, whose special duty it was to look after distillers. The inspectors are paid in the shape of fees, by the distillers. These fees are generally very small. In most cases all the inspectors ever thought of doing was, to go and inspect the liquors when the distillers sent for them. Whatever barrels of liquor happened to be ready, they inspected and then went away. I have heard of cases where *barrels were inspected and marked in advance of being filled.*

"Question. Then, in your opinion, under a more efficient execution of the law, the frauds could not have been committed?"

"Yes, sir.

\* \* \* \* \*

"Question. To what extent have frauds been committed, in the cases that have come under your investigation ?

"Answer. Several distillers have been found to have sold an equal amount of inspected and uninspected spirits. In one instance, the uninspected spirits amounted to over 80,000, and the inspected to 81,000 gallons. In a case at Decatur, Illinois, I know that 500 barrels were sent from the distillery to Chicago without inspection. In another case, I discovered that during one year 1,200 barrels were sent from Bloomington, Illinois, without inspection.

"Question. Is there any lack of uniformity in the method of inspection ?

"Answer. There is a great lack of uniformity. Different inspectors use different instruments. Some use McCulloch's tables and Tralle's instrument, as prescribed by law ; others do not. I knew one inspector in Illinois who professed to judge of the strength of spirits by experience, and never used any instrument whatever. Again, it is *not unfrequently the case that the inspectors are workmen or partners in the distillery inspected.*

"WILLIAM RICHARDS, United States revenue agent :

"Question. Do you agree with the testimony as given above by Mr. Parnell ?

"Answer. I do, entirely.

"Question. Have you any knowledge of illicit distillation, in a small way, at the west ?

"Answer. I have heard from undoubted authority that hundreds of small copper stills have been manufactured and distributed over Illinois and Iowa for the purpose of manufacturing spirits. I have been engaged in those States in the investigation of frauds committed by distillers. I have heard of a great many persons in Iowa who have been engaged in distilling without any license or paying any duty. I obtained my information in regard to the manufacture of small stills for distilling in Chicago from particular inquiries made by me in that city.

"GEORGE W. GUYSI, United States revenue agent :

"Question. State how many cases of fraud committed by distillers upon the revenue laws you have been cognizant of.

"Answer. I suppose in the neighborhood of one hundred cases. Many of them have been among the largest distillers. I am satisfied that all the large distillers who have been running their works since last July have been more or less concerned in fraud—scarcely an exception. At all events, I have never examined a concern yet where I have not found fraud in one way or another.

"Question. Do you consider the law, as it now stands, sufficient for the prevention of frauds ?

"Answer. No, sir. *I consider it almost a burlesque to try to stop whiskey frauds under the present law.*

"Question. Is the fault with the law or with the execution of it ?

"Answer. I think there is a great deal in both ; but if the law was fully executed, I do not think it would reach the end desired.

"Question. Have you any knowledge of spirits passing into the market wrongly inspected, through the ignorance or incapacity of the inspector ?

"Answer. Yes, sir ; and also purposely passed.

"BENJAMIN McDONALD, United States revenue agent :

"Question. To what extent was the fraud practiced in cases you have investigated ?

"Answer. In one of the cases I discovered a discrepancy between the returns made by a distiller and his actual shipments of 2,100 barrels, or upwards of 80,000 gallons.

"Question. How was the fraud in this case committed ?

"Answer. The distillery is situated forty or fifty miles from the depot of the collector, on the banks of the Miami canal, in Ohio. The inspector having only the fees which would accrue from inspecting and gauging, visited the distillery only when he was notified that there was whiskey on hand to be inspected. The assessor would only make his assessment upon the return of the inspection. The distiller procured duplicates of the inspector's brands, and used them in branding the barrels. The canal is leased from the State by individuals, and collusion in shipments existed between the distiller and the captains of boats on the canal; and I am firmly convinced that a leading official of the canal was perfectly cognizant of what was going on. This particular fraud had been running on for eighteen months or so. It commenced under the twenty-cents tax, and has continued all the way up. It comprised the whole product of the distillery during all that time. The whiskey, and all the property of the party, have been seized, but the case is not yet settled.

"Question. What led you to suspect fraud in the case?

"Answer. A shipment to this market (New York) in the month of May, 1865, of whiskey which was offered at such a price as to lead to the suspicion that the parties had never paid the tax. Another fraud was perpetrated in the distillery of — at M—, Ohio, twenty-five miles further south, on the same canal, which I discovered while investigating the other case. At Toledo I found that a shipment had been made of 418 barrels, ostensibly inspected in November and December, 1864. Obtaining a statement from the collector of the district in which the distillery was situated of the taxes paid by this man, I was satisfied of the fraud, and seized what then was left of the whiskey, 169 barrels. At Piqua 223 barrels belonging to the same distiller were seized by the collector. (This — lives about thirty miles from Toledo.) I instructed the collector at Toledo to distrain all his real and personal property, which he did. I subsequently visited Cincinnati, and ascertained from his consignee that he had sold about 3,000 barrels. This was in addition to the whiskey at Toledo. From the evidence obtained at Cincinnati I was convinced that there was collusion between the inspector for that district and the distiller.

"At Cincinnati I investigated another case—that of — & Co., large rectifiers, who have a distillery below Covington, Kentucky. Boats and barges land at the distillery. I obtained from their books the amount of their purchases of grain from September, 1863, to April, 1865. I ascertained from their distiller their average production to the bushel to be fifteen quarts. Upon this basis the discrepancy between their returns and the actual production was 3,500 barrels. They claim forty gallons to the barrel of their manufacture, which would amount to 140,000 gallons. They also claim that the whiskey was under proof. The distillery and the whiskey have been seized; also the establishment in Cincinnati. The case is still under consideration.

[Witness then detailed at length another case, giving names, places, and dates specifically, in which a firm, made up of irresponsible parties, was substituted in place of others of recognized responsibility, engaged in the business of distilling. This irresponsible firm shipped to Chicago, and sold without cognizance of the inspectors, five hundred (500) barrels of whiskey. The amount of tax which the government would appear to have been entitled to in this transaction, and of which it was defrauded, was between three and four hundred thousand dollars.]

"Question. Then, in your opinion, these frauds have been committed mainly through a lack of proper inspection?

"Answer. Entirely so; that is to say, no safeguards have been thrown around the work of inspection so as to prevent frauds. The majority of distilleries are so situated that the inspectors have to live from twenty to fifty miles from them. No fees are paid except those derived from gauging."

Such additional testimony of a similar character might be adduced by the commission tending to show both the insufficiency of the present law and the imperfect manner in which it has been administered.

During the greater part of the year 1865 the market price of distilled spirits (of) was less than the cost of manufacturing with the tax of \$2 per gallon added; the quoted rates for a short period having been as low as \$1 95 per gallon. These prices have generally been regarded by the public as *prima facie* evidence of fraud; but the truth of the case undoubtedly is, that the bulk of the spirits sold at this under-valuation was derived from the enormous stock manufactured prior to the imposition of the \$1 50 tax of July 1, 1864, and was bought by speculators and others who were desirous of realizing, and were content with the then accrued profits.

From the 1st of July, 1864, to November, 1865, with the exception of a few weeks prior to the imposition of the \$2 tax, (January, 1865,) nearly every distillery of any importance in the country suspended operations, it being impossible to manufacture and pay the tax for the prices at which proof spirits ruled in the market. Under these circumstances, the small revenue which accrued to the treasury (\$15,995,701 66) from this department of the excise for the fiscal year ending June 30, 1865, was really as large as could have been anticipated. With the exhaustion of the stock on hand, however, the business of distillation must be resumed on an extensive scale, unless largely interfered with by illicit distillation.

From data submitted to the commission by the Commissioner of Internal Revenue, it would appear that the comparative receipts from the excise on distilled spirits for the first quarter of the fiscal year 1865, and of the first quarter of the fiscal year 1866, were as follows: 1865, \$3,501,071 43; 1866, \$5,031 20.

During the month of November, 1865, however, the receipts from the tax on distilled spirits was estimated at \$2,500,000; and for December of the same year, it was believed that the receipts would exceed those figures.

#### ILLICIT PRODUCTION.

As regards illicit production, in a small way, the commission have been unable to obtain much information of a positive character. Numerous arrests and seizures of small stills have been made, and continue to be made, in all sections of the country; and the evidence is unquestionable that the coppersmiths of St. Louis, Chicago, Cincinnati, and other cities, have been so largely engaged in supplying the demand for small stills, that the procurement of any other description of work from them has at times been difficult; the orders for such stills being from the country adjacent to the above-named cities, and also to a considerable extent from Memphis and other points convenient for southern transportation. As stills of *small capacity* were not required in any number for any purpose previous to the imposition of the high rates of duty on distilled spirits, the manufacture and possession of such apparatus cannot be regarded as otherwise than as the preliminary step for illicit or fraudulent manufacture.

At the same time, it should be remarked that the possession of carefully constructed copper stills of small capacity is not a necessary adjunct to the business of illicit distillation, inasmuch as ordinary ingenuity can readily construct for common household utensils and a coil of metal pipe, an apparatus that will prove, under a high rate of excise upon spirits, profitably effective for distillation.

Under these circumstances, therefore, the commission would express their concurrence in the general popular belief, that illicit distillation in a small way extensively prevails; and are further of the opinion that unless more effective



measures are taken to repress the same, the national revenue from distilled spirits must for the future, under any rate of taxation productive of large revenue, be very injuriously affected.

In this connexion it is instructive to note that in Great Britain, where a most stringent system of excise inspection prevails, illicit distillation, though greatly restricted as compared with former years, has never been entirely prevented; the average number of detections for this offence in the United Kingdom for the four years ending March, 1864, being 2,106. Of these, by far the greater number were in Ireland, as is shown by the following return for 1864, viz: England, 63; Scotland, 18; Ireland, 2,744; total, 2,825; for the fiscal year 1865, the number of detections for illicit distillation was 3,499, showing an increase of 674 in a single year.

Illicit distillation has not, however, on the whole, increased in Great Britain within the last twenty-five years, even with a large increase of duty; thus indicating that a well organized system of inspection more than counterbalances the increased inducements to fraud. For example, in 1838, with a duty of 2s. 4d., (58 cents,) there were in Ireland 3,298 detections of persons engaged in making spirits clandestinely; in 1862, with a duty of 10s., (\$2 50,) an advance of three hundred and thirty per cent. over the former rate, the number of detections was only 1,972; and this is not all, for, say the commissioners of inland revenue of Great Britain, in their report for 1863, "It might be supposed that to produce this result, we had been driven to employ an enormous force of preventive officers, at an expense very greatly exceeding that of former years; but here again the comparison is all in favor of the present day. In the time of the low duty the cost of the revenue police was upwards of £46,000 per annum, while the (present) expenditure of less than £15,000 upon an increase to the constabulary is now sufficient to produce a much more satisfactory result." The commissioners further remark that a similar statement to the above might also be made as regards both England and Scotland.

It is generally admitted that the want of a ready market for the disposal of grain in certain districts in Ireland, as well as the accumulation of damaged grain in bad seasons, has much to do with inducing people to embark in illicit distillation.

#### SMUGGLING.

As respects smuggling of distilled spirits, especially across the Canadian frontier, the public are generally inclined to believe that it prevails, like illicit distillation, to a great extent.

That specific instances of this fraud are numerous, there can be no reasonable doubt; but an examination of the Canadian statistics in regard to the production of distilled spirits, clearly indicates that the amount smuggled must, under the most favorable circumstances, be far less than the amount credited in popular estimates. Thus the total production of distilled spirits in Canada for the years 1862, 1863, and 1864, are officially returned as follows: 1862, 2,875,073; 1863, 3,661,668; 1864, 3,518,408; and 1865, only 2,973,130 gallons. It is therefore clear that unless the demand for spirits for home consumption has greatly diminished in Canada, the surplus available for fraudulent exportation to the United States has not thus far been sufficiently large to materially affect our revenue.

#### CONSIDERATION OF TAX.

In respect to the expediency of maintaining or reducing the present excise duty of two dollars per gallon on distilled spirits, the commission have to report a wide discrepancy of opinion among those who, by observation or by experience, have qualified themselves to express judgment on this subject.

at distilled spirits *ought* to contribute a very large proportion of the amount the necessities of the country require shall be annually raised by inter-taxation, is, we believe, the almost unanimous sentiment of the whole country. It may, indeed, be considered as an axiom in political economy, that there is no article which constitutes a fairer subject for excise, and none which is made to produce so much revenue with so little suffering to the taxpayer. In Great Britain, where the duty has been, for the last four years, at a very high rate of ten shillings per imperial gallon, the concurrent testimony is the effect that, of all the methods adopted in that country to raise a revenue, this is the one most cheerfully borne, and least oppressively felt by the people. In this connexion the commission would also refer to the review of the revenue experience of various foreign states in relation to this subject, as given in the opening pages of this report.

that distilled spirits *can*, furthermore, without detriment to any business interests of the country, be made to yield a revenue sufficiently large to lighten the burden of taxation on almost every other branch of industry, is an assertion which seems to scarcely need proof to substantiate. The great bulk of the consumption of distilled spirits, at present, is for drinking purposes, and the experience of Great Britain is, that such consumption is not largely and permanently increased by any rate of duty. The experience of the United States, under the laws of the last three years, is undoubtedly confirmatory of the same.

The imposition of the \$1.50 and \$2 rates per wine gallon has operated to make the procurement of the cheapest and worst class of spirits difficult—not impossible—to the poorer classes; while as regards those whose means are abundant, or whose wages are large, there is no evidence to show that the consumption has in any degree diminished. In fact, the commission regard the present standard of consumption of distilled spirits for drinking purposes, in the United States, which they now estimate at thirty-nine millions of proof gallons annually, as one which no legislation, and no augmentation of tax, can materially diminish. They believe, furthermore, that there are no people less inclined to regard expense in the gratification of their desires and appetites than Americans.

A striking illustration of this, in general, and confirmed by the experience of everyday life, is to be found in the continued and increased use, by the people of the United States during the last three years, of expensive foreign luxuries, notwithstanding the cost of the same has been greatly enhanced by a large increase in the custom duties, and in the rates of exchange.

Any more particular and positive illustrations to the same effect could be drawn from the official returns of recent importations; but as the commission have no confidence in the accuracy of such returns, they feel obliged to supply all the results of their examinations in this department.

*the part of many—and perhaps a majority—of the leading distillers of the country, an opinion strongly adverse to any alteration of the present rate of duty has been expressed*; and this opinion is undoubtedly concurred in by most revenue officials, by many of the leading dealers and rectifiers, and by all who have considered the question from a merely theoretical or moral point of view; in fact, the general judgment of the country, so far as the commission have been able to estimate it, through their investigations, appears to be in favor of the retention and maintenance of the tax on distilled spirits at the present rate of two dollars per proof gallon.

The reasons urged in support of these views are: That the experience of working of the present law, owing to the irregular and speculative character of the trade since the passage of the act imposing the high rates of excise, affords no criteria for the future; and that the interests of the distiller as well as of the government would be promoted by stability, rather than by any hasty change in the rate of excise.

Again, from the evidence presented to the commission, it seems unquestionable that the perpetration of fraud in the manufacture of spirits commenced, and was extensively carried on, under the first and lowest tax imposed, namely, twenty cents per gallon, (act of July 1, 1862,) and continued until after the duty was advanced to \$1 50, and upwards, per gallon. With a tax of twenty cents per gallon, the premium offered for the evasion of the law is about one hundred per cent. (assuming the average cost of raw proof-whiskey as from seventeen to twenty-four cents per gallon;) and as the occurrence of fraud in other branches of manufacturing industry, where the tax is only five or six per cent., is not unfrequent, no other result than what has been described could have well been anticipated. The arguments, therefore, urged in opposition to the tax of two dollars, on the ground of its inducement to fraud, would seem to apply in a great degree, also, to almost any rate of excise that would yield a considerable amount of revenue to the government.

What is true in this respect of fraudulent manufacturing is equally true of smuggling from the British provinces; the fact being established by evidence before the commission that prior to the imposition of any excise tax by the United States spirits were largely purchased by distillers in the vicinity of Buffalo, New York, for the avowed purpose of being smuggled across the Canadian frontier; the inducement of profit being the chance of successfully evading the (then) comparatively small provincial excise of only fifteen cents per gallon. It therefore seems evident that no extensive diminution of smuggling is to be expected on the frontier until the respective rates of taxation on distilled spirits in the United States and the British provinces (especially Canada) have been equalized, or, at least, caused to closely approximate.

From the above statement it would also seem clear that no rate of duty on distilled spirits likely to yield any considerable amount of revenue can be fixed on which will not necessitate a system of close inspection and the enactment, on the part of the government, of stringent restrictive conditions; and hence it may be argued that it would be inexpedient to make the tax per gallon any other than one fully commensurate with the machinery *which any productive rate* will require for its enforcement and collection; or, in other words, it may be claimed that a rate of \$2, while producing more revenue, will not entail a larger burden of cost and trouble to the government than \$1, or even sixty cents, per gallon. This view appears to the commission to be the one which the government revenue officers have very generally arrived at as the result of their experience and observation.

The commission have thus endeavored to present, as fully and as strongly as the case will admit, the argument and reasons that may be adduced in favor of the maintenance of the existing rate of excise (two dollars per proof gallon) on distilled spirits, and in opposition to the reduction of the same.

That these arguments are weighty cannot be denied, and in the outset of their investigations they seemed to the commission entirely conclusive. Deeply impressed, however, with the conviction that a thorough inquiry into this whole subject was of the utmost importance to the country, and determined to let no preconceived opinions or prejudices stand in the way of an impartial discharge of their duties, they instituted a most careful and laborious examination, and have sought to avail themselves of every opportunity of acquiring correct information. In carrying out this design, the commission have personally examined several hundred witnesses, embracing most of the leading distillers, rectifiers, and dealers in spirits in the country—the representatives of the various branches of American pharmacy, and of the industrial interests into which alcohol enters as a constituent; and have also sought to acquaint themselves, by correspondence and otherwise, with the history and detail of foreign experience and legislation on this subject. The result of this inquiry has led to a reversal of their original opinion, and induces them to believe that, in a *revenue*.

*industrial, and moral point of view, it would be expedient to reduce the existing excise of \$2 per gallon on distilled spirits, and to substitute therefor a lower rate of \$1 per proof gallon.*

The reasons which induce this recommendation are as follows :

A tax of \$2 per proof gallon (American standard, *i. e.* 50 per cent. alcohol) on distilled spirits is a higher rate of tax than any foreign state at present finds it expedient to levy. If the existing tax of 10s. (\$2 50) per imperial proof gallon (British standard, *i. e.* 57 per cent. alcohol) levied in Great Britain on distilled spirits may seem to establish the contrary of this statement, it is to be remembered that the British excise is levied on the imperial gallon, which is one-fifth larger than the wine gallon adopted as the American standard,\* and also that the first cost of British spirits ranges, according to the price of grain, from 1s. 6d. (37½ cents) to 2s. (50 cents) per imperial gallon, while the first cost of the American product ranges from 17 to 24 cents per wine gallon; thus making the excise on British spirits range from five to six and two-thirds times the first cost of production, while the existing excise on American spirits ranges from eight to twelve times their cost, or about *seventy* per cent. greater than that of the former. In adopting extraordinarily high rates, moreover, the British government were obliged, by way of compensation, to allow certain admixture of spirits for industrial purposes to be used free of duty; but in the United States the tax is not merely greater, but without this compensation.

It may, we think, be laid down as an axiom in the economy of taxation, that whenever a tax equivalent to 100 per cent. of the average cost of an article is imposed upon it, a limit has been attained when the ordinary provisions of law relative to the tax are sufficient for its execution. In proportion as this limit is departed from, the enactment of extraordinary laws to secure the tax are rendered necessary, until finally a point is reached where the inducement to evade or resist the law becomes too powerful to admit of restraint. All experience, therefore, shows that every unreasonably high tax contains within itself the elements of its own annulment.

The history of the duties on distilled spirits in other countries is especially confirmatory of the above proposition, and furnishes, moreover, conclusive evidence of the "superior productiveness of reasonable duties on spirits, and of the loss of revenue, smuggling, and other pernicious consequences that invariably follow every attempt to carry them beyond their natural limits."

"Few governments," says McCulloch, "have been satisfied with imposing moderate duties on spirits, but partly in the view of increasing the revenue, and partly in the view of placing them beyond the reach of the lower classes, have almost invariably loaded them with such oppressively high duties as have entirely defeated both objects. The imposition of duties does not lessen the appetite for spirits, and as no vigilance of the officers or severity of the laws has been found sufficient to secure a monopoly of the market to the legal distillers, the real effect of the high duties has been to throw the supply of a large proportion of the demand into the hands of the illicit distiller, and to superadd the atrocities of the smuggler to the idleness and dissipation of the drunkard."

From the same and other authors we quote the following record of the experience of Great Britain on this subject.

A duty equivalent to four cents a gallon was imposed in England on spirits and high-wines under Charles II. From this point the rate was gradually increased, with an accompanying increase in revenue, until finally intemperate zeal and fiscal rapacity produced the greatest disturbances, and nearly extinguished all receipts from distilled spirits.

\* The wine gallon contains 231 cubic inches; the imperial gallon, as settled by the act of George IV, contains ~~ten~~ pounds avoirdupois of distilled water, or 277 <sup>3</sup>/<sub>8</sub> cubic inches. 10s. tax on the imperial gallon of spirits, British proof, is equivalent to 7s. 4d. on the wine gallon. American proof.

In 1736 an act was passed by the British Parliament, "the history and effects of which," says McCulloch, "deserve to be studied by all who are clamorous for an increase in the duties on spirits." This act imposed a duty of twenty shillings (\$5) a gallon on spirits, and a license duty of fifty pounds (\$250) a year on retailers; at the same time the sale of all quantities less than two gallons was prohibited. Extraordinary encouragements were also held out to informers, and a fine of one hundred pounds (\$500) was ordered to be rigorously exacted from all unlicensed dealers, and from every one who, were it even through an inadvertency, should vend the smallest quantity of spirits which had not paid the full duty. The effect of this act was directly opposite to what was contemplated by the ministry. "Respectable dealers withdrew from a trade proscribed by Parliament, and the business fell into the hands of the lowest and most profligate characters. The people espoused the cause of the smugglers and unlicensed dealers, the officers of the revenue were openly assaulted in the streets, informers were hunted down like wild beasts, while drunkenness, disorder, and crime increased with a frightful rapidity." In two years twelve thousand people were convicted in London alone of offences connected with the sale of spirits, "but no exertions on the part of revenue officers and magistrates could stop the torrent of smuggling" (illicit traffic.) According to a statement made by the Marquis of Cholmondeley in the House of Lords, it appeared that at the very moment when every possible exertion was made to suppress the illegal traffic in spirits, upwards of seven millions of gallons of illicit spirits were annually sold in London and its environs alone—as much as paid duty in all England before the adoption of the law in question. Under such circumstances the government had but one course to follow—to give up the unequal struggle, and in 1742 the high prohibitory duties were repealed, and moderate duties in their place imposed. The bill for this purpose was vehemently opposed in Parliament by many members, who exhausted all their rhetoric in depicting all the consequences that would result from a relaxation of law on the part of the government. "To these declamations it was unanswerably replied that it was impossible to put down drinking by prohibitory enactments, and that the attempts to do so had been productive of far more mischief than had ever resulted or could be expected to result from the greatest abuse of spirits. The consequences of the change were highly beneficial; an instant stoppage was put to illicit traffic, and if the vice of drunkenness was not materially diminished, it has never been stated that it was increased."

At the time this unfortunate experiment was tried in England, the quantity of spirits paying duty was reduced from 12,498,000 to 2,800,000 gallons, but the sale of illicit spirits increased in London alone to about 7,000,000 gallons annually. The population of England and Wales at this time was below six millions, and that of London less than six hundred thousand; so that the consumption, which previously averaged in England but two gallons per head, apparently rose in London to over ten gallons under the restrictive law.

The effect of high rates of duty on distilled spirits is also strikingly illustrated by the experience of the British government in Ireland. In 1811, according to the reports of the revenue commissioners, when the duty on spirits in Ireland was 2s. 6d. per gallon, the duty was paid on 6,500,000 gallons; whereas, in 1823, when the duty was 5s. 6d., only 2,900,000 gallons were "brought to the charge." According to the commissioners, the annual consumption of spirits in Ireland was, at this very period, not less than 10,000,000 gallons; and, as scarcely 3,000,000 paid duty, it followed that 7,000,000 were illegally supplied. It is also important to bear in mind that this vast amount of evasion was carried on in defiance of the most stringent laws, and of the utmost exertions on the part of the military and police to prevent it; "but instead of putting down illicit distillation, the heavy punishments imposed seemed to render it universal, and filled the country with bloodshed, and even rebellion." "In Ireland," say the

commissioners of the revenue in the report made at this period, "it appears that parts of the country have been absolutely disorganized, and placed in opposition, not only to the civil authority, but to the military force of the government. The profits to be obtained from the evasion of the law have been such as to encourage numerous individuals to persevere in these desperate pursuits, notwithstanding the risk of property and life with which they have been attended."\*

"To put an end to such evils, the commissioners recommended that the duty on spirits should be reduced from 5*s.* 7½*d.* to 2*s.* 4¾*d.*, and the government having wisely consented to act upon this recommendation, the duties were reduced accordingly in 1823." The effect was immediately seen in an increase of the legitimate consumption of spirits in Ireland from about three and a half to above nine millions of gallons per annum, while the revenue increased from £600,000 to above £1,000,000! In 1828 the revenue from spirits still further rose to above £1,400,000. "It is not easy," says McCulloch, "to imagine a more unanswerable demonstration of the greater productiveness of moderate duties."

The reduction of the duty on spirits in Ireland was objected to at the time on the ground that it was injurious in a moral point of view, by occasioning an increased consumption of spirits. This view, however, the commissioners of the revenue entirely dissented from; and alleged, in reply, that "the reduction of the duties substituted legal for illegal distillation, and freed the country from the perjuries and other atrocities that grew out of the previous system; but it would be wholly erroneous to say that it increased drunkenness."

The experience of the British government in Scotland is hardly less conclusive in regard to the advantage of low duties on spirits than that in Ireland; the exorbitant duties having produced nearly the same effects in the former as in the latter country. It was stated in evidence before the British revenue commissioners, that at the time of the imposition of the high duties in Scotland, revenue was collected in the highlands on a quantity of spirits barely sufficient to meet the demands "of two moderately populous parishes." It was also testified at the same time, that the moral effects of the evasion of law on the lower classes was most conspicuous, as was evidenced by the increase of crime, and by "a degree of insubordination formerly little known in that country."

The history of duties imposed by British legislation on imported spirits, further affords additional illustrations of the pernicious influence of extraordinary high duties. Thus, in 1783, when the duties on brandy and gin imported into Great Britain amounted to nine shillings per wine gallon on proof-spirits (a less rate than is imposed by the present American tariff,) the quantity officially reported as entered for consumption was 740,000 gallons annually, while that clandestinely imported, at the same time, was estimated by the commissioners of excise at upwards of 4,000,000 of gallons! Mr. Pitt, at that time the premier, being fully aware of the magnitude of this evil, determined upon its suppression, and in that view reduced the duty on imported spirits from nine shillings to five shillings per gallon. The event more than answered his expectations, as the entries for consumption increased in comparatively few years from an average of 740,000 to upwards of 2,200,000 gallons per annum.

The recent experience of Great Britain as regards the relation of the rate of tax on distilled spirits to consumption and revenue, is, furthermore, worthy of especial attention.

In 1823, on account of the increase of illicit distillation, and the persistent evasion of the law in Scotland and Ireland, the rate of duty was reduced from 6*s.* 2*d.* in Scotland, and 5*s.* 7*d.* in Ireland, to 2*s.* 4¾*d.* per gallon for both countries;

\* In 1811, 1812, and 1813, there were no less than 19,067 illicit distilleries destroyed by the authorities in Ireland.

and subsequently, in 1826, in England, also, from 11s. 8½d. to 7s. per gallon. The result was a very large increase in the consumption of legally-made spirits; the quantity reported for 1826 being 18,200,000 gallons for the whole kingdom, as against 9,600,000 gallons in 1820. As illicit distillation, however, abated, and as the consumption increased, the government again gradually put up the rates of duty; so that at the present time they are largely in excess of any recent average. The reported result is no marked effect upon the consumption or revenue in England or Scotland; a result attributed mainly to the increased prosperity of the two countries, which has enabled the population to bear the greatly increased taxation. In Ireland, however, which did not participate in this increased prosperity, the result has been different. Consumption, after rising largely upon the reduction of the rate of duty, (from 6,690,000 gallons in 1824 to 11,381,000 gallons in 1835,) fell off to nearly one-half (6,485,443 gallons) in 1841;\* and from 1841 to 1861 experienced scarcely any fluctuation attributable to alterations in duty, although the rate increased during that period from 2s. 8d. to 8s. In 1861, on an increase of the duty from 8s. to 10s. per gallon, the consumption diminished from 6,101,000 gallons per annum to 4,800,000 gallons, and has since remained very nearly stationary. It is also curious to note in this connexion, that under a duty of 6s. per gallon in 1856, the amount of spirits consumed in Ireland was greater than under a 2s. 8d. duty in 1844, although in the mean time the population of the country had greatly decreased; and further, that under the present 10s. tax, the consumption of spirits used for drinking purposes in 1865 was returned at 270,000 gallons more than in 1864, notwithstanding that during the same time the population diminished by upwards of 200,000 souls, and illicit distillation increased.

As has been already stated, the British government found it expedient in 1856-57 to fix the excise on distilled spirits, for the whole kingdom, at eight shillings (\$2) per imperial proof-gallon, which rate was afterwards advanced, in 1862, to ten shillings (\$2 50.) In 1863, the commissioners expressed the opinion that no increase of illicit traffic would accompany the increase of excise; but this opinion does not, however, seem to have been sustained by the experience of 1864 and 1865; inasmuch as it appears from the returns of the commissioners, that the number of detections for illicit distillation which were reported in 1863 at 2,103, amounted in 1864 to 2,825, and in 1865 to 3,499; thus showing an increase in two years, under the increased rate of tax, of 1,396, or over sixty-six per cent.

The commissioner would also call attention, in this connexion, to another important admission of the British authorities on this subject. In 1855, an act was passed to allow a mixture of spirits of wine to be used under certain circumstances (to be referred to hereafter) in the arts and manufactures of the United Kingdom, duty free. In 1863, the commissioners of inland revenue, in reporting on the working of the advanced rate of excise, use the following very significant language:

*"It is scarcely too much to say, that if this mixture had not been devised for the relief of our manufacturers, it would have been almost impossible to maintain the present high rate of duty. Illicit distillation must have been largely developed in all our great cities; the unscrupulous traders would have been the customers of the smuggler, thereby injuring both the licensed distiller and their more honest rivals in trade; and those who carried on their business by the use of the legal material only, would have been so burdened by the duty, as to compete at a grievous disadvantage with the foreigner. Hence would have arisen a clamor against a tax fraught with so many evils, which it would have been difficult to resist."*

\* "The cause of this sudden and very large decline was not an increase of any rate of duty, but the adoption of the temperance pledge, which began to be administered at this time by Father Mathew, and which took so strong a hold of the people of Ireland."—SIR MORTON PETO—"Taxation; its Levy and Expenditure."

It would, therefore, appear that, in Great Britain, a country of limited area and dense population, possessing, at the same time, a most carefully-prepared system of law, and a thoroughly organized and experienced corps of revenue officers, it has been found wholly impossible to prevent the continued increase of illicit distillation, or other evasions of the excise.

And if such has been the experience in Great Britain, of an attempt to maintain a high rate of excise on distilled spirits, what must be the result of an effort to maintain a considerably higher rate, without any compensating provisions for the relief of industry, in a country like the United States, whose territory and area are continental, and whose population is sparse, and, in part, unaffected?

In the outset of our revenue policy, it is now for us to decide whether we will profit by the examples of other and older countries in relation to the management of this special department of the excise, or learn for ourselves in the extensive school of experience.

But if it be urged that the reasons given in favor of a reduction of the two-dollar rate of excise will apply equally well to a reduction to a still lower figure than one dollar—or, in other words, that a removal of all extraordinary inducements to fraud would be equivalent to abandoning all idea of raising from spirits any considerable amount of revenue—it may be replied, that as regards the two rates under discussion, there is all the difference between excess and moderation, and that although the commission do not expect that a reduction to one dollar will prevent fraud, yet they do feel sanguine that it will greatly diminish it.

As has been already shown, the average cost of raw-proof whiskey (allowing a yield of fourteen quarts to a bushel) ranges, according to the price of grain and locality, from seventeen to twenty-four cents per gallon. Now, in the conduct of illicit distillation, especially in the face of a stringent and well-executed law, it is not probable that an average of more than eight to ten quarts of the bushel can be obtained; which reduction, coupled with other expenses to which the legitimate dealer would not be subjected, will probably carry up the price of the illicit product to fifty or sixty cents per gallon, leaving a profit contingent upon a successful evasion of the law of nearly an equal sum, which in turn must necessarily be shared with several other persons to prevent information.

With a continuance of the present rate, however, the inducement of profit would range from one dollar and fifty cents to one dollar and sixty cents per gallon—an inducement which will undoubtedly tempt many to engage in illicit production, who would be unwilling to do so with a much less rate of profit, specially if the prospect of severe punishment on detection was reasonably certain.

Again, as has been before shown, the consumption of spirits for all purposes will undoubtedly, under the present excise of two dollars per gallon, average from about forty-two to forty-five millions of gallons per annum. Allowing the whole excise to be collected on that amount, the annual revenue from the same would be in excess of eighty-four million dollars. In view of our own experience and that of Great Britain, the commission cannot believe that the government will succeed in collecting anything like this amount. It was the opinion of the late Commissioner of Internal Revenue, whose judgment on this subject is well worthy of consideration, that the government, under a stringent law, might probably collect two-thirds of the amount, or from fifty-five to sixty millions of dollars. On the other hand, with a reduction of the tax to one dollar per gallon, the commission believe that the aggregate production and consumption through an increased demand for industrial purposes would approximate closely to sixty millions of gallons per annum; and as a tax of one dollar per gallon is conceded by all parties to be not unreasonable, it seems probable that with an effective law an immediate revenue of at least fifty millions of dollars might be collected, with a subsequent annual increase.



We come next to consider the bearing of this question—the tax on distilled spirits—on industrial development.

From the evidence submitted to the commission it seems certain that the present extremely high price of alcohol is most extensively and injuriously felt by both the industry and the science of the country. The statements already submitted in this report are believed to be conclusive upon this point, and make it imperative that some steps to relieve industry from an undue, and, in some instances, crushing burden, should be taken.

The necessity for the adoption of some such policy having, become apparent in Great Britain, as far back as 1855, (when the British rate of excise was less than the existing one,) a commission of scientific men was appointed under authority of Parliament, to investigate and report upon the subject. The result of this investigation was to induce Parliament to authorize and permit a mixture of spirits of wine (alcohol) and wood naphtha to be sold and used, free of duty, for industrial purposes. This mixture, technically termed "methylated spirits," is prepared under certain requirements of law, in not less than five hundred gallons at one time, by mixing spirits of wine of not less than fifty per cent. over proof, (containing eighty-six per cent. of pure alcohol,) with not less than one-ninth of its bulk measure of wood naphtha. Spirits thus treated, without being made poisonous, are rendered so offensive to taste and smell as to be unfit for human consumption, while at the same time they have been regarded as generally available for the purposes of the arts or manufactures. At the time of the enactment of this provision it was also believed that the purification of spirits once mixed with naphtha, to an extent sufficient to allow of their use for drinking purposes, would be impossible by any practicable chemical method.

In order to ascertain whether a similar provision of law would be desirable in the United States, the commission have caused a quantity of methylated spirits to be prepared, and have also procured samples of the mixture from Great Britain; and have submitted the same for trial to the representatives of various industrial pursuits, in which alcohol is extensively used. The judgment of these persons, as rendered to the commission, has been unfavorable to the use of "methylated spirits," and induces a belief that even if the government were to authorize its preparation and sale, duty free, its application and use in the United States would not be very extensive. The commission are confirmed in this view, moreover, by the returns of the board of commissioners of inland revenue of Great Britain, which show that the maximum amount of methylated spirits ever used in that country in any one year has never equalled one million of gallons.

There is, however, a more serious objection to the introduction and use of methylated spirits in the United States than that above presented; which is, that within a very recent period the advance in the science of chemistry has been such as to allow of the complete purification and deodorization of spirits impregnated with wood-naphtha; so that the British authorities have been obliged, during the last year, to subject the manufacture and subsequent use of methylic alcohol to the same restrictions as are imposed upon the manufacture of distilled spirits.

The commission would also add that they have had submitted to them samples of spirits impregnated with wood-naphtha, so completely deodorized as to render them entirely available for drinking, or for manufacture into the various liquors designed to be used as beverages.\* It should also be noted that methy-

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\* It appears from the reports of the board of commissioners of inland revenue of Great Britain that methylated spirits, even without deodorization, can be made palatable to those whose appetite for drink is uncontrollable, by the addition to these spirits of peppermint or other strong essences; and an additional illustration of the extent to which a depraved appetite will lead individuals, under certain circumstances, to use mixtures of the most repulsive character, the commission would state that it has been represented to them that, in some of the penal institutions of the country, alcohol-shellac varnish has been drunk by prisoners for the sake of its stimulating qualities.

lated spirits are not applicable for pharmaceutical purposes, or at least should not be so used, and thus the allowance of its use duty-free does not extend any relief whatever to a department of industry most seriously affected by the present high prices of alcohol.

The commission, therefore, do not believe that it would be either practicable or expedient to allow the use of methylated spirits, free of duty or at a reduced rate, in the United States, or, if allowed, that it would give the full relief to industry that is desired. At the same time they would also urge upon Congress the importance (in case of the maintenance of the two-dollar tax) of adopting some measures by which alcohol can be made available to American industry and science at a less price than at present.

In a communication made to the commission by the American Pharmaceutical Association, the memorialists urge that "the enormous increase in the price of alcohol (twelve times its former cost) has very materially interfered with the best interests of pharmacy, by tending to cramp and hinder the progress of the art, and materially lessen the use of alcohol by encouraging the use of imperfect and improper substitutes. This diminished use has as yet by no means reached its limit, and it may be safely estimated for pharmacy, that if the present high rate of duty be maintained, the use of alcohol will be diminished more than one-half. With half the present rate of duty, pharmacy might not be seriously affected; and if so, the revenue accruing from one-half the present rate of duty would be larger, and be more easily collected, than from the existing rate.

"Furthermore, such a reduction would dispose of all the valid reasons which can now be found for either a discrimination in favor of pharmacy, or for the introduction of a methylated spirit, or any other like clumsy method whose tendencies would be probably as bad as this."

In common with the pharmacutists, it also appears to be the general opinion of a majority of the representatives of the various trade interests who have appeared before the commission in relation to this matter, that a reduction of the tax on proof spirits to one dollar per gallon would sufficiently relieve them from the injurious effect of the present high price of alcohol, and lead to a very large increase in its consumption for industrial purposes.

It should also be borne in mind that an increase in the use of spirits for industrial purposes, to the extent of ten to twenty millions of gallons per annum, would lead to an increased market for western grain of from three to six millions of bushels; and that much of the grain which would thus be made applicable for use, being damaged by overheating, is of but little value for any other purpose than the production of alcohol.

Finally, regarding the question in a moral point of view, the commission would respectfully ask whether it is either just or expedient, on the part of the government, to impose by law, in the first instance, a tax so unprecedentedly high as to constitute in itself a premium for fraud, which it is morally certain that human nature, as ordinarily constituted, will not resist; and then, secondly, to impose severe penalties for the violations of the law; and whether the hourly provocation to perjury, evasion, and concealment, held out by a two-dollar tax, will not more than sufficiently counterbalance any good which may result from a possible decrease in the consumption of spirits, by reason of their consequent enhancement of price.

That the use of alcoholic liquors has, however, to any *great* extent, been diminished by reason of the high rate of excise imposed upon them, the commission have no reason to believe. The weight of evidence received by them in relation to this point tends to establish the contrary. But if such were the fact, it is altogether probable that a portion of the small diminution has been fully compensated for by the increased use of opium or other more injurious substances—thus supplanting one vice by substituting a more degrading one in its place. If this be true, the effect of the very high tax has been mainly to

increase the pecuniary profits upon vice without controlling it or raising an adequate revenue upon the process; and if, as is here maintained, the attempt to discriminate against vice by the high rate has been successful neither in a moral point of view, nor in raising the largest revenue, then it is hardly worth while to interfere injuriously with so many of the established wants and necessities of civilization by continuing a further unsuccessful trial.

As respects smuggling of spirits along the northern frontier of the United States, it is not probable, as has already been pointed out, that any reduction of the rate of excise will seriously interfere with this business. If, however, an arrangement could be made with the provincial authorities for an equalization of duties on distilled spirits in the respective countries, it is obvious that all evasions of the revenue laws by the smuggling of spirits would instantly terminate; and that the attainment of the above result would be of great advantage to the United States. That such an equalization can be made a part of some future commercial arrangement which may be entered into with the British provinces, *in case the rate of excise on spirits in the United States is fixed at a rate not exceeding one dollar*, the commission have the most positive assurance; and this fact alone, independent of any other consideration, would seem to warrant them in recommending the proposed reduction.

The commission have collected a large amount of information respecting the cost and consumption of imported wines and liquors, and also in respect to the manufacture of imitation liquors and the production of domestic wines in the United States. As the time has not sufficed for a sufficient consideration of these topics, their report, in relation to the same, is deferred for the present.\* They will, however, state that the evidence taken by them leads to the conclusion that it would be for the interest of the revenue to reduce the duties on imported wines and liquors to an extent commensurate with the reduction recommended by them on domestic spirits. They also doubt the expediency of endeavoring to collect an excise tax on wines of domestic production. The attempt to do so thus far has been a practical failure. Thus, the revenue collected from domestic wines of all varieties (native and imitation) for the several years since the internal revenue system has been in operation has been as follows: In 1863, \$8,823 64; in 1864, \$28,302 80; and in 1865, \$43,216 36. A tax on the production of domestic wines, furthermore, is represented to the commission as calculated to seriously check the development of this important branch of industry in the Pacific States.

From domestic brandy no revenue accrued in 1863 and 1864; but for 1865 the sum of \$10,546 is returned. Under the present law a discrimination is made in favor of domestic brandy distilled from grapes, apples, and peaches, in contradistinction to spirits distilled from grain; brandy distilled from grapes being subjected to an excise of *fifty* cents per gallon; and brandy from apples and peaches to an excise of one dollar and fifty cents. Such discrimination, the commission believe, should be discontinued, and all distilled spirits placed on the same footing.

#### QUESTION OF LAW.

But whatever may be finally determined on by Congress, as the tax per gallon on distilled spirits, the commission—always assuming that the rate will not

\* The regulation of duties on imported wines and liquors in Great Britain has been made the subject of a special investigation by a commission appointed by Parliament for that purpose, which resulted in the establishment of the present improved British tariff and inspection regulations relative to this department of their customs. Attention should also be called, in this connexion, to the fact, that it occupied nearly as much time for the investigation of this single department of the British revenue as has thus far been afforded to the commission for the investigation of the entire subject of the revenue system of the United States, both *customs and excise*.

be below a standard largely productive of revenue—are unanimously of the opinion that the present law requires such alterations and amendments as will enable the government to regulate in detail the process of manufacture, and also provide for a rigid inspection of the whole business. In fact, with a tax of from one to two dollars per gallon, on an article whose normal cost of manufacture is from seventeen to twenty-four cents, it may be fairly assumed that every distillery in the country is a government manufactory—conducted for the interests and profits of the treasury. And, therefore, it may be argued, on the grounds of expediency alone, that the government, in the *first instance*, should protect its own interests; and *secondly*, that after having, through reasons of public necessity, interfered with the business of a class of its citizens, it is bound by every principle of justice to give to the men who furnish, at their own expense, the apparatus for manufacturing, such protection against fraud and illicit production as will allow the honest distiller to continue his business, and participate in the ordinary chances of commercial profit. Anything less than this would be equivalent to a premium, on the part of the government, in favor of dishonesty; and unless such protection, by the enactment and enforcement of effective measures, is afforded, the commission are decided in their convictions, that it would not only be useless to expect any great increment of revenue from the manufacture of distilled spirits, over and above what is received at present, but also that the legitimate business will be in a great measure broken up and destroyed. Apart from this, there would seem to be no other just course for Congress to pursue, except to place distillation on the same footing with all other manufacturing business, and to assess its product with a duty which would not offer any special and extraordinary inducements to fraud.

The collection of an annual revenue of from fifty to sixty millions from distilled spirits will in itself offer a solution of many of the difficulties which at present attend the assessment and collection of the national revenue. It will enable the government to follow the example of Great Britain, in dispensing with taxation on nearly every other description of manufacturing industry;\* and to dispense with every species of tax that is now regarded as especially burdensome or odious. Such inducements would seem to warrant the enactment by Congress of all that can be demanded under the form of law, and also an expectation of a rapid development of a sentiment on the part of the whole people, which would not sanction any dereliction of duty on the part of officials in respect to the enforcement of such law, or shield any offender, through the press or the jury-box, from speedy and severe punishment.

It should, furthermore, be borne in mind, in reference to this matter of law, that the question is not whether distilled spirits can sustain a heavy burden of taxation. That question our own experience, and the experience of other nations, has already settled in the affirmative; but it is whether this tax, which is already paid, (and will be paid under any rate of excise, to the uttermost farthing, by the consumer,) shall flow into the coffers of the government, or be diverted, as now, into the pockets of the illicit producer and trader. Upon this point, the interests of the government and of the great majority of the people are identical.

The commission, in accordance with the requirements of the act authorizing their organization, present, in connexion with this, their special report, the draught of a new law, which they believe will be effectual for the prevention of fraud, and securing the revenue.

This bill, which is necessarily arbitrary and restrictive, does not, in some of its essential features, meet the approval of a portion of the distilling interest of the country, and their opposition to it may be expected.

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\* There is no longer any duty or excise imposed on manufactured goods in Great Britain, except so far as any manufactured article may be composed in part of any article subject of duty; then a proportionate sum is charged for the duty on that part of the article.—Report *Parliamentary Commission on Internal Revenue*, 1862, p. 31.

The commission have, however, given a great amount of time to the investigation of this subject, and have availed themselves of the judgment of the most experienced revenue officials, distillers and dealers, from various sections of the country; and have also sought to acquaint themselves most thoroughly with the manner in which this subject is treated for revenue in the various states of Europe.

If it be urged that the bill, as reported by the commission, is too restrictive and arbitrary in its character, destructive of small private interests, and as imposing large additional restrictions and expenses upon all engaged in the business, it may be replied that the amount of good which must inevitably accrue to the whole country, by the course recommended—if the same will insure an enforcement of the law, and the collection of the revenue—is sufficient to justify a disregard of the interests of a comparatively small number of individuals. And it may fairly be urged, in opposition to any plea that a free government has no right to disregard the interests of individuals, that it is also the cardinal principle of a democratic state, that legislation should always be shaped in such a way as to secure “the greatest good to the greatest number.”

If, moreover, we are to attach any weight to the evidence presented to the commission, the conclusion is inevitable, that, since the imposition of an excise tax on distilled spirits, the perpetration of fraud on the part of the manufacturers has been the rule, and honesty the exception.

There can in fact be no escape from the conclusion, that the whole subject is narrowed down to two propositions—a stringent law and a large revenue; or an inefficient law like the present one, coupled with a system of compromises and settlements,\* and a small revenue.

Without considering it necessary in this connexion to discuss the peculiarities of the draught of the law submitted by them, the commission would simply remark that its essential features are: the providing for a close inspection of the production of spirits; the retaining of a lien upon the same by the government until the assessed taxes have been paid; and the imposition of high license fees on all engaged in the business. These provisions are considered by a majority of the commission as the essentials of any efficient law. Without inspection—constant and watchful—fraud will prevail; while to allow every individual to engage in the manufacture of spirits without some proper restrictions, will render inspection impossible.

By reference to the table submitted on page 6, it will be seen that the number of distilleries in the western States was returned in 1860 as 494, employing a capital of over six millions of dollars, and producing annually over fifty-two millions of gallons; while the number returned in the same year from the southern States was 326, employing a capital of \$648,651, and producing only 2,542,500 gallons. The commission cannot submit any stronger argument to prove the fact, that the concentration of manufacture must precede, and is essential to, the establishment of any economic or practicable system of inspection.

In further illustration, however, of their proposition, the commission herewith submit selections from the testimony of one of the most experienced and intelligent of the government officials who have appeared before them as witnesses:

*Extracts from the testimony of BENJAMIN A. McDONALD, United States revenue agent.*

Question. “Have you any knowledge of illicit distillation, in a small way?”

Answer. “I have, sir. My attention has been called to it, right here, in the city of New York. These small stills can be used in a small space—in a gar-

\* “In my opinion the compromises and settlements with parties prosecuted for fraud have thus far been fatal to the efficient working of the revenue laws. I know of but one instance where the penalty of imprisonment has been imposed.”—*Testimony of B. A. McDonald, U. S. revenue agent*

## REVENUE SYSTEM OF THE UNITED STATES.

ret. or anywhere—because here there is Croton water up through all the stills. The law now allows such stills to be licensed. The quantity per day, can be run up from twenty to fifty gallons. These small distillers carry on the trade by selling to small dealers in demijohns. They will make returns, as provided by law, in due form once in thirty days. They will report from three to four gallons per day, and the inspector is obliged to make the returns in conformity. They will make a run of, say, forty gallons, return four gallons, and the remaining thirty-six they will send off in demijohns at night. That is the way, in my opinion, that the small trade is carried on in New York and other cities; and it shows the importance of restricting and limiting the license to those who have a legitimate distillery of not less than a certain capacity. I should recommend that no distillery should be licensed until large enough to give bonds for not less than \$10,000. No man who carries on illicit distillation can give such a bond."

Question. "How do illicit distillers conceal their grain?"

Answer. "The production being from three to four gallons to the bushel, no large amount of grain is necessary to be kept on hand—ten or twelve bushels will make forty gallons. Then there is another system which they practice successfully. They set up a vinegar factory, in which they make vinegar from whiskey. They will have a little still on the premises, situated in a dark cellar, making whiskey from sour beer, or from molasses, and that whiskey they make into vinegar. They never sell whiskey—the operation saves them from buying whiskey to make into vinegar."

"From all the information I have been able to gather, on my tour west, I believe four-fifths of the whiskey produced there does not pay a tax. Inspectors should be appointed, at least one for every distillery, and be paid a sufficient salary to warrant the inspection of every distillery every day. The collection districts are now too large to admit of daily inspection."

"One great fact which leads me to believe that a large amount of illicit distillation is going on throughout the country, in a small way, is the closing of nearly all the large distilleries, and yet continued large production to meet the demand. While in Cincinnati I was advised that a very considerable number of copper stills had been shipped from that city to Memphis. From that place they are distributed through Mississippi, Alabama, southern Kentucky, southern Tennessee, northern Georgia, and Arkansas. The people being disloyal, and the collection districts exceedingly large, information is with difficulty obtained by the revenue officers."

Question. "Does it seem possible, in your opinion, for the government to prevent illicit distillation, except by refusing licenses to small establishments?"

Answer. "It is utterly impossible."

Question. "What would be the effect of demanding a high price as a license fee for a distillery?"

Answer. "It would have no effect whatever on illicit production. The profits being so enormous, no practicable charge for license would make it prohibitory. A man having a small still, capable of producing fifty gallons a day, would make \$30,000 a year, if he did not pay duty. The price of a license to him, therefore, would be no object. I would propose where a small still is now without license, that it should be seized and destroyed, and the distiller be subjected to imprisonment. The prohibition of possessing a small distilling apparatus will have this advantage, that it will enable the government at once to determine the question of fraud; while if small stills are licensed, it will be a matter of great difficulty to prove whether the product manufactured has or has not paid a tax. As the law now stands, the detective ascertains the existence of a small distilling apparatus. The proprietor, on being questioned, acknowledges possession, but denies illegal use. The moment the inspector withdraws, illicit

distillation may be resumed, and unless actual possession of the spirits, or detection in the act, can be proved, the government has no remedy."

"Before the imposition of the tax on whiskey, the use of small stills throughout the country was in a great measure unknown, the few employed being used mainly for the manufacture of peach-brandy, apple-jack, &c. They were not used for the reason that the manufacture of whiskey by means of them would cost more than the whiskey could be bought for from the large distillers. 'Bourbon,' 'Monongahela,' 'Rye,' &c., were made to some extent in small stills by farmers in Kentucky, and some in Pennsylvania, before the high tax was put on. It would be for the interest of the government to prohibit the use of small stills, and then buy up all the old ones, and sell them for old copper. I would also make it a penal offence for any coppersmith to make a still below a certain capacity. I would prohibit farmers from making whiskey for their own use."

If a plan of accurately measuring by means of a metre the flow of spirits from the tail of the still could be devised, the system of inspection of distilleries might be greatly simplified. Much attention has been given to this subject in Europe, especially by the Austrian government; but the results thus far have not been satisfactory.

By an official communication from Hon. J. Lothrop Motley, United States minister at Vienna, dated August 25, 1865, the commission are informed "that the evasions and frauds practiced in regard to the use of these instruments are so common, and the cost of the supervision required is so great, that the Austrian government is proposing to abandon the use of them altogether; and a government commission is now sitting in Vienna, the result of whose labors will, in all probability—as it has already declared itself against the present system—be the adoption of something quite different."

Experiments in regard to the use of metres for the measurement of spirits in distillation are also now in progress in Canada, the results of which are promised to the commission by the provincial authorities, but have not yet been received.

Some plans of mechanism intended to accomplish the same end have also been submitted to the commission by American inventors, but time has not yet been afforded for their examination.

It is also interesting to notice, in this connexion, that the bill reported by the commission for the regulation of the manufacture of distilled spirits, and the collection of the excise on the same, is in many respects identical with that passed, in the infancy of the republic, by Congress (March 3, 1791;) which bill it is understood was draughted by Alexander Hamilton, then Secretary of the Treasury. The following is an abstract of the provisions of this act:

"It imposed a duty on imported spirits varying from *twenty to forty cents* per gallon according to strength, and an excise duty of *eleven to thirty cents* upon domestic spirits, distilled from molasses, sugar, or other foreign materials, and of *nine to twenty-five cents* per gallon on that made from materials the growth or produce of the United States. For the collection of these duties, each State was made a collection district, with as many supervisors as were necessary, whose duty it was, in case of home-distilled spirits, to appoint officers each to have charge of one or more distilleries, to gauge, prove and brand every cask, according to its contents; and having collected the excise in cash, or by bond, to give a certificate, without which it could not be removed on pain of forfeiture. On private stills, in country places, using a domestic material, a yearly duty of *sixty cents* per gallon on the contents of the still was imposed. Every distiller was required to place on his buildings, and the doors of his vaults, the words, "Distiller of Spirits," and before commencing the business was to enter in writing, at the nearest inspection office, a particular description of his buildings and apartments. These were made subject to the inspection of the officers, who were also to furnish, and from time to time inspect, books.

in which the distiller was required to make a daily entry of the quantity and quality of spirits distilled, sold or delivered according to the marks; and to verify the same by his oath or affirmation. An allowance equal to the duty in each case, less *half a cent* per gallon, was allowed by way of drawback upon spirits exported; and upon spirits distilled from molasses in the United States, an additional allowance of *three cents* per gallon, equivalent to the duty laid on molasses. The net product of the duties was pledged for the payment of interest on loans, and the surplus, if any, to the reduction of the public debt; and the act was to cease when these objects had been attained."

The commission would also call attention to the very imperfect methods which at present prevail in the United States for the inspection of liquors. In the custom-house, Tralle's hydrometer has been adopted as the standard instrument; but in the internal revenue, where the amount of inspection performed is much greater than under the customs, no one instrument is recognized as a standard. Neither does a uniform method of gauging, or determining the capacity of the cask, prevail. In some instances the commission have reason to believe that inspectors have been appointed who have but a very imperfect knowledge of the use of any instrument; while the evidence taken by the commission indicates that a wide discrepancy between the inspection returns of one and the same lot of spirits, made in different sections of the country, is the rule and not the exception; the effect of which discrepancy has been, in some instances, to compel distillers to change the market for their products. The importance, in a revenue point of view, of correctly regulating this matter may be realized from the statement that a loss to the government, in inspection, of one per cent. on the estimated annual product of distilled spirits would be under the present rate of excise, over \$800,000 per annum; while the evidence submitted to the commission would seem to indicate that the actual loss is, in some instances, as great as from three to five per cent.

The commission would recommend that the duty on all spirits be levied and collected solely at the tail of the still, and that no interference with their subsequent treatment, sale, or consumption, other than by way of licensing, (their manufacture into imitation wines excepted,) be attempted on the part of the government. The reasons in favor of such recommendations are, mainly, the greater simplicity of this method of raising revenue, and the inexpediency of attempting to accomplish by various plans and at various times what can be more easily and less expensively effected by but one method and upon one occasion.

As an illustration of the different results which flow from an efficient in opposition to a feeble administration of law in the collection of taxes, the recent experience of the national authorities and of those of the city and county of New York, in respect to the license tax on retail dealers in liquor, may be referred to as both curious and instructive. The license tax imposed by the national revenue system on retail liquor dealers is twenty-five dollars per annum. A similar license fee, under the laws of the State, is also assessed by the authorities of the city and county of New York. In the latter case an organized and politically powerful society, known as the "Liquor Dealers' Association," has for years interposed, and, through the machinery of local courts, aided by personal and party influence, has thus far successfully defeated all attempts of the authorities to enforce and collect the tax in question. In the case of the national revenue, its officers, in entering upon the discharge of their duties in the city of New York in 1862 and 1863, encountered resistance from the retail liquor dealers from the outset. It was assumed by many of the dealers in question that the association above referred to, which had so successfully baffled the local or State authorities, would be equally successful in their opposition to the representatives of the national government, and the aid and protection of this association was accordingly confidently sought and expected. Comparatively



few of the dealers, therefore, in conformity with the law, made application to the United States officials for licenses, and in some of the notoriously bad districts of the city personal violence against the collectors and assessors was threatened, and in at least one instance inflicted. The revenue officers, however, went on with their work energetically, making arrests and distrainments in a few instances, and commencing suits in all cases where repeated notification and remonstrance on their part had proved unavailing. The effect of this action was very immediate. It soon became apparent to the dealers that the authorities were not to be trifled with—that the tax was to be enforced uniformly and equitably, and that needless delays and objections would not be tolerated by the officers of the United States courts. The conclusion is well set forth in the following statement reported to the commission: “The whole number of license fees collected from retail liquor-dealers in the city of New York by the United States authorities, for the fiscal year ending June, 1865, was upward of *seven thousand*; while the whole number collected by the authorities of the city of New York, for the same period, was only about *four hundred*.” The report to the commission from the United States revenue collectors in the worst district of New York city is further to the effect, that the license taxes from retail liquor-dealers are, now, nearly as easily and as promptly collected as those from any other class of the community.

In conclusion, the commission would remark, that they are well aware that the recommendations made by them, in favor of a reduction of the existing rate of excise levied upon distilled spirits, and possibly, also, those in reference to the enactment of a more stringent law regulating the manufacture and sale of spirits, are not in accordance with the general public sentiment. As these recommendations are, however, the result of an extensive and impartial examination of the whole subject, they trust that the facts and arguments submitted by them in support of the same may receive from Congress and the public an impartial consideration.

Respectfully submitted for the commission.

DAVID A. WELLS,  
*Chairman.*

Hon. HUGH McCULLOCH,  
*Secretary of the Treasury.*

#### APPENDIX.

The system of supervision, whereby the British revenue on spirits is collected, is a remarkable instance of excise machinery—a supervision rendered important by the great revenue yearly collected, and the comparatively small number of distilleries from which the payments are made. The whole number of licensed distilleries in Great Britain, in 1850, was as follows: England, 86; Scotland, 164; Ireland, 87; total, 337.

The whole number of distilleries in the United States, in 1860, was 1,193.

The following are the principal features of the present British statute relating to the distillation of spirits:

No person *can keep or use a still* for the distillation of spirits, or carry on any part of the process of distillation without having *in force* a license.

Every person having in his possession “mash or wash” fit for distillation, or spirits of low proof *and a still*, shall be deemed to be a distiller, liable to the duties and penalties imposed by law on distillers.

No license shall authorize a person to carry on the business of distilling elsewhere than on the premises mentioned in such license.

No person, without a special permit, can have a license to distil, if the distillery *be more than a quarter of a mile from a market town*.

Distilling cannot be carried on, on the same premises with other trades, nor upon premises having any internal communication with that of a dealer in or a retailer of spirits; and no person can establish a distillery within the distance of one quarter of a mile from a rectifying house.

The commissioners of inland revenue have power to refuse to license any distillery, in any location, whenever it may appear to them, from any cause, to be inexpedient. Before a license is granted to any distiller, he must produce a certificate, signed by three justices of the peace, that he is a person of good character, fit and proper to be licensed to keep a still, and that his intended distillery premises are of at least £10 (\$50) yearly value.

No distiller in *England* can keep any still of less contents than *four hundred* gallons, and no person is authorized to keep a still of less contents than *forty* gallons, or any distilling apparatus not capable of distilling *two hundred gallons* per day.

The commissioners of internal revenue have power to suspend the license of any distiller not complying with the regulations of the statute.

No distiller is allowed to retail spirits within two miles of his distillery.

After obtaining a license, a distiller must erect and keep a certain specified number of utensils or pieces of apparatus, and no more; he must also provide a close safe to be affixed to the worm end of every still, unless the worm is connected by means of close metal pipes with the proper receivers, and must also provide a proper and secure spirit store at his distillery, and in the store, a store cask or vat with proper fastenings. Every safe affixed to the worm end of the still must be connected with a spirit receiver by means of a close metal pipe, externally visible throughout its whole length, and so placed that the spirits shall run directly from the safe to the receiver; the receiver must also be furnished with a discharge pump, cock or pipe, externally visible throughout its whole length, for conveying the spirits directly from the receiver to the store-cask or vat in the spirit store. Every receiver must be a close-covered vessel, and must be placed in a convenient situation, exposed to open view and easy of access and inspection.

The stills may be of any form or construction, but there must be no openings in them except those prescribed by law. The situation, position, size or capacity of any still, vessel, utensil, or pipe, cannot be legally altered in any manner after it has been inspected, without two days' notice thereof. The pipes for the conveyance of different products are to be painted of different and specified colors.

All utensils required by law are to be kept and fixed at the expense of the distiller.

Before any distiller can commence business, he must present to the revenue officer an account, in writing, signed by himself, setting forth his residence, location of his distillery, a true and particular description of every place, room, vessel, and utensil used in his business, and its capacity for production; and, in connexion with the same, must deliver a drawing, model or description, distinctly showing the course of all fixed pipes and their branches used in the distillery.

Brewing and distilling must take place in alternate and distinct periods; and before commencing to work or recommencing after having discontinued working, for a longer period than one month, six days' notice in writing must be given.

No spirits can be received in the stock or spirit store of the distillery other than the spirits distilled in the distillery, and conveyed direct from the spirit receiver to the store; and no spirits once removed from such store shall be brought back to it from any place whatever.

All spirits produced in a distilling period (one hundred and fifty gallons in one cask excepted) shall be removed from the store within ten days after the termination of the period.

All duties on spirits intended for domestic consumption are to be paid before delivery.

The spirit store is not to be open on Sundays, nor on other days between the hours of eight p. m. and five a. m. and all spirits in the store are to be filled into casks in the presence of an officer. Proper accommodations must be provided in the store for the officer in attendance; and the distiller must also furnish correct weights, scales, and measures, and permit the officer to use them.

Spirits cannot be sent out of store in less quantity than nine gallons in one cask; nor at any other strength\* than at twenty, fifteen, or ten per cent. under proof; at proof; eleven or twenty-five per cent. over proof, or within six-tenths of either of these strengths, or at and above forty-three per cent. over proof. And all spirits sent out must be accompanied by a permit expressing the quantity and the exact strength of the spirits in each cask.

Every distiller must cause to be legibly cut, branded, or painted with oil-color, on the outside of both heads of every movable cask used for keeping or delivering spirits, his name or firm, the name of the distillery or place, with the full contents in gallons.

In addition to the above provisions by statute, the commissioners of inland revenue have established the following additional regulations:

A complete survey must be made of every distillery while at work, by the officer in charge, at least three times each day; and on such surveys, the condition of every vessel is to be ascertained, the locks on every vessel and utensil examined, and the manner in which the operations are proceeding carefully observed, and the minutes of each survey entered in a book kept in the distillery for this purpose. When two or more officers are in charge of a station in which there is a distillery, they are to survey the distillery in courses of eight hours each. Although an officer while in charge of a distillery is not required to be constantly on the premises, he must not absent himself so that he cannot be immediately found, if required by the distiller or any superior officer. On Sundays only one complete survey is required.

No hydrometer or any other testing instruments are to be used by any officer except such as are supplied by the board of revenue commissioners; and all instruments and keys of stills and receivers when not in use are to be kept under government lock by the officer on duty.

The officer in charge of the spirit store must attend therein whenever the distiller requires it to be opened, any time between the hours of five a. m. and eight p. m., Sundays excepted. When in attendance the officer must place himself so that he can see whatever is brought into or removed from the store by the entrance door. When the distiller does not require the store to be opened, it must be kept locked, and the officer in charge must at all times keep the key in his own possession.

Officers may survey distilleries by night or by day, and may force entrance, if admittance is refused on demand. When any duties payable by a distiller shall not be paid at the proper time, the district collector or other officer in charge of the collection may, by warrant under his hand, empower any person to take and distrain all materials and vessels for distilling and all spirits in warehouse, and cause the same to be sold at auction on six days' notice. Should there be any surplus after paying costs and expenses, it must forthwith be paid or tendered to the distiller or his lawful representative. Before such sale, the distiller may have any spirits or malt by paying the value and the duty on such articles.

Any officer may arrest any person removing malt, sugar, molasses, or mash, from a distillery, or any spirits, without being accompanied by a proper permit, and convey him before a justice of the peace residing near the place, who, as soon as practicable, shall hear and determine the charge; and, on confession or

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\*According to Sykes's hydrometer.

proof, convict the offender in a penalty not less than £10 (\$50,) nor more than £100 (\$500,) and if such penalty is not forthwith paid to the officer, the justice shall commit the offender to jail for not less than one, nor more than six months, unless the penalty is sooner paid.

If any officer has cause to suspect that unlicensed distillation is carried on, he must obtain a search warrant to enable him to break open the premises ; and, if at night, must also secure the presence of the peace officer, who is bound to assist. All stills, vessels, and apparatus, and all spirits or other materials, preparing for distillation, found in such premises, may be seized and removed ; the whole of the articles thus seized, if not claimed within ten days by the lawful owner, are absolutely forfeited, and, whether claimed or not, the owner is liable to the penalties prescribed by the statute.

The amended and consolidated acts of the British Parliament relative to the distillation of spirits, (Act 23 and 24 Vic., c. 114, Oct. 1, 1860,) as well as all former British legislation, has unquestionably been based on the belief that the ordinary safeguards of an official oath, required entries, and occasional inspection, are entirely insufficient to prevent fraud and secure the revenue, under the extraordinary inducements offered to illicit production, by the imposition of rates of excise, varying from 500 to 700 per cent. per gallon (8*s.* and 10*s.*) over and above the cost of manufacture.

The government, apparently further adopting as a principle, that where the interests of the nation and the rights of a comparatively small class of manufacturers, under the ordinary laws and regulations of industry, are antagonistic, the latter are to be considered as of little importance, have, therefore, rigidly prescribed, to the minutest details, a specific manner in which the process of distillation shall be carried on, and no other ; subjects the business to constant inspection—following the disposition of the manufactured product so long as it retains a bulk of three gallons—and most rigidly enforces all fines and penalties for violation of the statute. The effect of such enactments, as was doubtless intended, is to restrict the business of distillation to comparatively few establishments, a restriction which results to the advantage of the government, inasmuch as it necessarily greatly facilitates and economizes the system of constant inspection ; while, at the same time, the more practical result is attained to, viz., of enabling the government to collect so large a revenue, from an acknowledged article of luxury, as to materially alleviate the burden of every other form of taxation.

REPORT OF THE COMMISSIONERS APPOINTED BY THE UNITED STATES  
BREWERS' ASSOCIATIONS TO THE UNITED STATES REVENUE COMMISSION  
ON THE TAXATION AND MANUFACTURE OF MALT LIQUORS IN  
GREAT BRITAIN AND ON THE CONTINENT OF EUROPE.

*Commissioners on behalf of the Brewers' Associations.*

FREDRIC COLLINS,  
MATTHEW P. READ,  
FREDERICK LAUER.

At a convention of the brewers of the United States, held at Baltimore on the 17th day of October, 1865, it was

*Resolved*, That the report just read, of the commissioners who visited Europe on behalf of the brewers, be placed in the hands of the chairman of the United States commission pointed for the revision of the internal revenue, with the request that the same be presented to Congress.

P R E F A C E .

At a meeting of the Associations of Ale and Porter and Lager Beer Brewers of Philadelphia, held on the 7th of March, 1865, it was

*Resolved*, That a committee should be appointed, consisting of three members of each of the two associations, who should invite the co-operation of similar committees of associations in other cities, to obtain full and accurate information of the excise laws of Europe appertaining to malt liquors, by sending two commissioners, to be selected by them, to Great Britain, France, and the German States, duly accredited by the brewers of this country, who should furnish a report of the statistics thus obtained, to the commissioners to be appointed by the Secretary of the United States Treasury for the purpose of revising the internal system of taxation, and prepare the form of a bill for the consideration of the next Congress. Similar resolutions were adopted by a general meeting of the brewers of New York, and also of Cincinnati.

Under these resolutions Mr. FREDERIC COLLINS, of Philadelphia, and Mr. MATTHEW P. READ, of New York, were appointed the commissioners, and subsequently Mr. FREDERICK LAUER, of Reading, was appointed to accompany the commission through the German States. Before proceeding on their mission they visited Washington, and stated to the Hon. H. McCulloch, Secretary of the Treasury, the object of their intended visit, who addressed to them a letter approving of their plan.

Two of the commissioners, Messrs. Collins and Read, sailed from New York on the 19th of April, and arrived at Queenstown the 29th of the same month; they were joined by their colleague, Mr. F. Lauer, in London on the 15th day of May, who accompanied them through Belgium, the German States, Switzerland, and France, and returned with them to New York on the 26th day of July, after an absence of fourteen weeks from the day of their departure.

The committee appointed in pursuance of the above resolutions beg leave to submit to the United States Brewers' Convention an account of their mission.

REPORT OF BREWERS' COMMISSION.

GREAT BRITAIN.

Our first visit being to Great Britain, the condition of the brewing interest there became a prominent object of inquiry, and a visit to some of the great *breweries* as indispensable as it was agreeable to us. Landing in Ireland, we

called, after our arrival in Dublin, at the celebrated porter brewery of Messrs. Guinness, Son & Co. This is one of the largest breweries in Great Britain, and Mr. Guinness informed us that it ranked about the fourth in the extent of its production. Mr. Guinness is widely known as a Christian philanthropist. In one instance he contributed £150,000 (\$726,000) for the renovation and enlargement of St. Patrick's (Protestant Episcopal) Cathedral in Dublin.

The quantity of malt mashed daily in this brewery is 3,040 bushels. The mash tuns are iron; the coppers domed, with a copper reservoir attached for containing liquor (water,) into which the steam is conducted from the copper when boiling. The liquor thus heated is used in the following mash, or for sparging. The gyles, or fermenting tuns, are square. The porter, when the fermentation is nearly finished, is run into other squares, where it is skimmed, and, when this process is completed, pumped into the storing vats, which are sixty-seven in number, varying in capacity from 300 to 2,000 hogsheads. A cylindrical yeast press is here employed for separating the porter from the yeast by hydrostatic power, the invention of the head brewer.

When we consider that it was only about the dawn of the present century that the manufacture of porter was first introduced into Ireland, the extent of business transacted at this one establishment is truly surprising. There are several other extensive breweries in Ireland, the largest of which are probably those of Messrs. Watkins, in Dublin, and Messrs. Beamish and Crawford, and Sir John Arnot, in Cork. Yet the whole produce of malt liquor in Ireland and Scotland equals but one-tenth of that of the United Kingdom, with more than one-fourth of the population.

Crossing over from Ireland into Scotland, we stopped but a few hours at Glasgow, and proceeded directly to Edinburgh, where, among other large brewing establishments, we visited the brewery of the Messrs. Younger. The brewing here is only conducted during the fall, winter, and spring, when the ale can be fermented at a low temperature. It is finished in the fermenting tune by the skimming process, and racked from these into casks.

Scotland has, for a long period, been justly celebrated for the manufacture of a superior quality of ale, much of it of a heavy gravity or great strength. The increased demand for a lighter ale is now, however, freely met by the brewers there, and they are successfully competing, in their own market, and, to some extent, in London, with the famous breweries of Burton-on-Trent.

From here we passed over to London, one of the great central points to which our attention was particularly directed.

The quantity of beer manufactured here (under which head we shall class the various descriptions of malt liquor, as a general term) is about one-sixth of the entire production of Great Britain. The breweries here and at Burton-on-Trent are the largest in the world. Of the twelve great breweries in London, it is difficult to decide, out of several of them, which takes precedence in the extent of its operations. Formerly it was easily ascertained, as the quantity of malt on which duty was paid by each house was published annually. Now, however, owing, it is said, to local jealousies, it is suppressed.

For a long period, the celebrated house of Messrs. Barclay, Perkins & Co. ranked as the first. Now, it is believed that Messrs. Truman, Hanbury, Buxton & Co., take precedence in the extent of their production, although some assign this position to the house of Messrs. Bass, Ratcliffe, Gratton & Co., of Burton-on-Trent. But this matters not. The houses which we have named, together with those of Messrs. Whitbread & Co., Allsopp & Co., of Burton-on-Trent, Meux & Co. and Reid & Co., approximate so closely to each other, that, in the ebbing and flowing of their vast business, a distant wave, in its onward and irresistible course, may lift any one of them a little higher and carry it beyond the line of the foremost of the others. A transfer of the orders (contracts) of the

government would produce this result, as it is stated that they amount to 200,000 barrels annually for their troops in India and elsewhere.

On the 8th of May we visited the brewery of Messrs. Barclay, Perkins & Co. We here registered our names, and were then taken through this vast establishment. Originally a porter brewery, they now brew both porter and ale, and, although the brewings are conducted under one roof, yet the arrangement of the mills, coppers, mash tuns, fermenting tuns, &c., as distinct as if it were two breweries instead of one. The arrangement and management of the porter brewing are similar, in most respects, to that of Messrs. Guinness & Co., to which we have alluded. The principal difference is in the manner of finishing the ale. This is done in pontoons, the porter in settling backs.

The mash tuns here are also of iron. They mash from 1,000 to 1,400 bushels of malt in each, and average about 5,600 bushels daily, except in the summer season, when it is less. They can store away in their large storing vats nearly 200,000 barrels. Their largest vats contain nearly 5,000 of our barrels. They have one chief brewer and two assistants, and adopt the plan of instructing the sons of the members of the firm in the art of brewing, who serve an apprenticeship of four years, rising at four o'clock in the morning, or earlier, if required, and whenever any of the clerks go into the country for a week or two, as it is the custom to permit them to do, they take their places at the desk during their absence. In this way they become familiarized with the whole routine of the business. They reside on the premises, in a building erected for their especial occupancy, and there are now five young men, with the expectation of a large interest in the firm, occupying this position.

Their malt is kept in covered bins, and is conveyed by endless screws and elevators wherever required. The hops are kept in comparatively dark rooms. The prejudice against American hops is rapidly disappearing. A portion of them is now used in nearly all the large breweries.

The brewery and buildings connected with it cover an area of about twelve acres of ground. Their malt houses, or maltings, as they term them, are situated in the country. Their casks are made on their own premises, and the brewers generally adopt this course. Their stables, where are kept 120 dray horses, weighing from 1,700 to 1,900 pounds each, are well worth visiting. The visitor is impressed with the magnitude of this and other large breweries, and with the perfect system which is adopted in the distribution of labor in every department of business. The value of time is nowhere more regarded. A person desiring to see any member of the firm must send his card and state particularly his business, the importance of which determines his success.

We subsequently called at the brewery of Messrs. Whitbread & Co. Here the water is pumped from wells from 300 to 500 feet in depth. The pumps are almost constantly at work throwing the water into the reservoirs, which are situated on the roofs of their buildings. They have immense cellars under their buildings, embracing probably from eight to ten acres. Their ale is all racked into casks, and their porter conveyed into storing vats.

We also visited the brewery of Messrs. Truman, Hanbury, Buxton & Co. Presenting our order from one of the firm to Mr. Frazier, the chief manager, he placed us under the guidance of one of their intelligent brewers. This brewery differs from the other two which we have named mainly in the material of their rounds, squares, pontoons, stillions, &c., many of which are made of slate. They have had a few of them in use long enough to test their qualities, and are highly pleased with them on account of their cleanliness and durability.

They have on their premises a machine shop, copper and blacksmith shops, carpenter shop, paint shop, &c., for their own convenience in making repairs, &c.

The price at which ordinary porter is sold is 33s. per barrel; ale, 35s.

It is retailed by the glass, containing a full half pint, at 1½d., and by the quart at 4d.

It is said that almost every householder, in good circumstances, keeps a barrel of malt liquor on tap in his cellar.

Our next visit was to Burton-on Trent, a place famed throughout the civilized world for the excellence of its beer, the high character and intelligence of its brewers, and the magnificence and completeness of its breweries.

Our visit here was of a peculiarly interesting character. A large portion of the city is appropriated to this one especial branch of manufacture, and, from a distant elevation, would present the appearance of one vast brewery, claiming a rank among the wonders of the world.

The most prominent firms engaged in the business are those of Messrs. Bass, Ratcliffe, Grattan & Co., and Messrs. Samuel Allsopp & Sons. The former firm have three large breweries in successful operation. An idea of the colossal character of their business may be formed from the following statistics derived from the most reliable source:

Extent of the premises, 48 acres; cost of purchasing same, at an average of £3,750 per acre, £180,000, or \$571,200; quantity of malt estimated to be brewed this year, 160,000 quarters—1,280,000 bushels; number of casks in use in the trade, 433,000; number of workmen employed, 1,555; number of clerks, 163; number of horses, 80; extent of private railway in connexion with brewery,  $3\frac{1}{4}$  miles; extent of land required to grow 160,000 quarters, 36,000 acres; amount paid in malt tax to the government on the 160,000 quarters, \$385,731; amount of sales last season, £1,268,499—\$6,125,015; value of the greatest stock of ale on hand at any one time, \$2,406,409; greatest amount of sales effected in any one month, \$354,327; greatest amount of payments made in one month, \$648,560; greatest amount of cash receipts in one month, £126,000—\$609,840; amount of traffic per rail last year, 145,696 tons; paid to railway for freight one month, £14,000—\$67,760; quantity of coals consumed per diem, 130 tons; amount of gas consumed, 8,000,000 cubic feet; rate at which business is annually extending, 25,000 quarters, or 200,000 bushels.

We were also informed that they had eight acres of land covered with casks of beer, piled three tiers high, which, previous to our arrival, had been distributed among their various agencies throughout the kingdom.

The operations of Messrs. Allsopp & Sons are scarcely less extensive. They have two breweries in operation, and they are equally celebrated for the character of their beer. Their new brewery is, perhaps, the most perfect and complete establishment which has ever been erected. Their maltings, cooperages, &c., are on their own premises, which cover an area of fifty-two acres of ground.

The counting-house of the new brewery is one hundred and twenty feet square, subdivided by glass partitions, and handsomely furnished. Each department, including the post office, is thoroughly systematized and arranged for their business. They have duplicates of all brewing utensils, in order that their business may not at any time be interrupted. Their utensils for mashing, fermenting, and finishing their beer are of wood, and the entire arrangement is such that space and labor are economized to the best advantage. The two storage rooms at the new brewery are one hundred and twenty feet in width and five hundred and ten feet in length.

Every cask sent out, of which they have about four hundred thousand, is numbered and registered, and they can turn at any moment to the book and page where it is entered and tell you where any particular cask is. Any deficiency on the return of the casks must be made up and settled for once a year, at a fixed period, that the account may be balanced. They also employ a corps of chemists, whose duty it is to submit to known tests the beer in process of manufacture, in order to secure its ultimate perfection.

The Burton water is considered to be especially adapted to the brewing of East India or bitter beer. The following is an analysis of the water used in the brewery of Messrs. Allsopp & Sons, made by Dr. Henry Bottinger, a pupil of Professor Liebig, of Bavaria, and chief manager of the brewery:



Contents of one imperial gallon :

	Grains.
Chloride of sodium.....	10.12
Sulphate of potassa.....	7.65
Lime.....	18.96
Magnesia.....	9.95
Carbonate of lime.....	15.51
Carbonate of magnesia.....	1.70
Carbonate of iron protoxide.....	.60
Silica.....	.79
Total solid contents.....	65.28

Also an analysis showing the saline and mineral ingredients contained in the beer :

	Grains.
Alkaline salts.....	78
Alkaline chlorides.....	28
Alkaline carbonates and phosphates.....	14
Phosphate of lime and magnesia.....	102
Total saline ingredients.....	202

It will be observed that the earthy salts disappear, and that the water, though hard at first, becomes soft in the process of brewing. The depurating power of lime is well known, insomuch that it has been employed in the clarification of cane and other vegetable juices, and it is, no doubt, owing to the presence and precipitation of this substance that the action of the Burton water in securing the early transparency of the beer is attributed.

It is well known that the brewers in London especially control a large proportion of the public houses where beer is sold. They either own or lease them, and relet them to the publican, or advance money on them. No beer is permitted to be sold by the brewer who controls the house except of his own brewing, unless it may be of a description which he does not manufacture. He then has a large sign affixed to the house, on which is lettered, for example, Truman, Hanbury, Buxton & Co.'s *Entire*, Barclay, Perkins & Co.'s *Entire*, &c.

In this connexion we desire to call the attention of brewers and maltsters in this country to the care bestowed by the maltsters of Great Britain in the selection of their barley, and during the process of malting it. They pass it either through a screen or blowing-machine, which separates the light grains from the heavier ones, and sell the former for feed for cattle, confining the malting to the best grain. The barley is not unduly hastened on the floors, but ample time is given it to germinate, and it is carefully and perfectly dried. When thrown from the kilns, it passes over a screen, and the separation of the rootlets is more thorough at this time, when the malt is warm and the rootlets crisp, than after the malt becomes cool. Immediately after this it is taken and placed in bins, where it is covered with the rootlets of the malt about four inches in depth to protect it from the effects of moisture, &c.

For malt floors they use a tile six inches square and one inch thick, called ferro-metallic squares, which make a level, smooth, and durable floor. The maltings of Messrs. Joseph Gilstrap & Sons, and J. W. and H. Branston, of Newark-on-Trent, (which we visited,) are quite prominent establishments; the former producing about 80,000 quarters, or 640,000 bushels, of malt annually.

Barley, when of choice quality, is often purchased late in the spring, and, after the close of the malting season, dried on the kilns by a slow heat, without impairing the strength of the germ, and malted early in the following autumn.

The superior quality of the English malt, with which such care is taken,

gives assurance to the brewer that his beer will be of good quality and flavor, if he bestows the ordinary skill and attention on the brewing of it.

We feel that we cannot let this opportunity pass without expressing the hope that the maltsters of the United States will be induced to adopt the same care in malting their barley and cleaning it. Too little attention has been given by many of them to producing the best malt the barley is capable of, and we beg to remind them of the wisdom of such a course in thus contributing to the production of a superior quality of malt liquor, which, from its excellence and popularity, would greatly increase the consumption, and produce a corresponding increase in the demand for malt. Nor can we too highly reprobate the course pursued by some maltsters in purchasing inferior qualities of barley, hurrying it through the process of malting, and throwing it on the market in an imperfect and damaged condition, and, if purchased by the brewer, resulting in the production of an inferior quality of beer, and affecting the general interests of the business in disinclining the public to the use of it.

#### EXCISE TAX IN GREAT BRITAIN.

The original establishment of the excise in England was in 1643, when the first tax was imposed on beer, at the rate of 1s. per barrel. This was at subsequent periods increased, but was finally repealed in 1830.

The duty on malt was first imposed in 1697, at the rate of 6½d. per bushel, and, after various changes and fluctuations, was placed at 2s. 7d. in 1821, at which rate, with the addition of 5 per cent., it was continued until the war with Russia. It was then advanced to 4s. per bushel, at which it continued for two years, 1854 and 1855, and the consumption was diminished from 36,000,000 bushels in 1853 to 30,000,000 bushels in 1855. The result, as we were informed by one of the principal brewers in London, was "a miserable failure, and destroyed the profits of the brewers, as they were unable to advance their prices to cover the increased cost of malt." The duty was reduced to the previous rate in 1856, viz: 2s. 7d. and 5 per cent., equal to 2s. 8½d. per bushel, or 21s. 8d. per quarter of eight bushels. The effect in producing an increased consumption was immediate, the quantity charged with duty in 1856 being 34,439,475 bushels, and the yearly average for six years thereafter, including 1862, was 38,190,975 bushels.

As the debt of a nation influences its taxation, we herewith present the total amount of the national debt of Great Britain; and in reference to this and other statistical facts, we shall extract, where it is convenient to do so, from the able report of the chancellor of the exchequer, Mr. Gladstone, as exhibited in his budget presented to the House of Commons on the 27th of April, in preference to offering them from other sources less authoritative.

On the 31st of March, 1865, the public debt of Great Britain amounted to £808,288,000; the revenue for the past year, £70,313,000; the actual expenditure, £66,462,000. Of this amount £6,337,000 was received from the duty on malt, and £10,173,000 on British spirits.

The highly prosperous condition of the manufacturing and commercial interests of Great Britain, with the prospect of its continuance, induced the chancellor to recommend a reduction of a portion of the taxes corresponding nearly to the amount of the surplus revenue of the past year, and, notwithstanding there was a large party in the House which advocated a reduction or entire repeal of the duty on malt, he selected three other sources of revenue to which, in his judgment, the surplus should be applied, and recommended that the duty on tea be reduced from 1s. to 6d. per pound, the income tax from an average of 6d. on the pound 4d., or a little more than 1½ per cent., and a considerable reduction on the fire-insurance tax. In these measures he was sus-

tained by Parliament. And we may here remark that however desirable a reduction of the public debt may be, the people of Great Britain greatly prefer that the surplus revenue should be applied to a reduction of indirect taxation, the effect being more immediate in cheapening articles of consumption on which the duty is reduced or from which it is withdrawn.

It is believed that three-fourths, at least, of the national debt is permanently invested. Executors, administrators, trustees of estates, guardians, courts of law, all invest in these government securities. They offer undoubted security, while its distribution among all classes of capitalists tends to strengthen and secure the stability of the government.

It was from no feeling of hostility to the measure, as will be seen, that the chancellor did not recommend a reduction of the malt duty, or its repeal. His argument was, that it was not taxed as high proportionately as tea.

We have seen that the excise duty on malt is 2s. 8½d. per bushel, or 21s. 8d. per quarter of eight bushels, and that it has not exceeded this rate for the last 44 years, except during the years 1854 and 1855. In addition to this, there is a license duty on beer of three pence per barrel, imposed in lieu of the hop duty, which was repealed in 1862.

It will also be borne in mind that the English barley is much heavier than ours, and that the standard weight is 56 pounds per bushel, while ours is but 48, and that fully in this proportion is the malt more productive.

In order to compare the British excise duty with our own, theirs being based on the malt and ours on the beer, we have first to obtain the average produce of malt in Great Britain, and then to assimilate their measure to our own.

This product we estimate to be an average of four barrels of beer from the quarter of malt, as the result of our inquiry and observation; and in this estimate we are confirmed by the figures of the chancellor of the exchequer. The English barrel contains 36 imperial gallons, or 144 quarts. The duty on this quantity then is 21s. 8d. sterling, and three pence per barrel of beer. At this rate, estimating the pound sterling to be \$4 84, the tax amounts to \$1 31 per barrel of 36 imperial gallons of 277.2 inches capacity, equal to 43.2 American gallons of 231 inches, and 94 cents for 31 gallons.

We could present the various rates of duty on beer from their first imposition, exhibiting their numerous fluctuations, their increase and decrease, and the corresponding increase and decrease of consumption, but our object has been to obtain the more matured experience of the governments of Europe, and to recommend to our own government the adoption of that experience which it has taken them centuries to acquire.

In striking proof of the disastrous effect of excessive taxation, we remind you of the well-known fact in Scotland, when the tax of 2s. 3d. per barrel, imposed by England in 1707, on the favorite beverage of the people termed two-penny beer, was increased to 3s. 4d. per barrel; the consumption, which had averaged annually 450,000 barrels, was reduced to 100,000 barrels, and continued to decline till it ceased entirely. And at the present time, when the consumption of malt in the United Kingdom amounts to 43,848,050 bushels, but 1,906,190 bushels are brewed in Scotland.

The result of this unwise measure was the substitution of whiskey or spirits as the common beverage of the people, which proved most unhappy in its effects.

#### CONSUMPTION OF MALT LIQUOR IN GREAT BRITAIN.

The manufacture of malt liquor is on the increase, not only in Great Britain, but also throughout all Europe, and the consumption corresponds with the manufacture. In reference to the consumption of beer in England, the chancellor asks: "Has the Englishman changed his nature? Has he ceased to supply

himself with a sufficient proportion of this excellent and truly national drink?" and then remarks: "On the contrary, the figures all tend upward. In 1841 the consumption of malt in Great Britain was 1.701 bushel per head of the population; in 1863 it was 1.793 per head. Now that, I think, furnishes evidence of a very handsome growth. But how stands the case with spirits? During year after year, during the period to which I am referring, additional burdens have been laid. In 1841 the consumption per head of spirits in Great Britain was .763 gallon, while in 1863, to my great joy and satisfaction, it had sunk to .645."

"The consumption of beer in England," he further remarks, "in 1720 was 3,000,000 barrels, or at the rate of a barrel per head; for the population at that time was only 6,000,000."

"In 1830 the consumption was 8,000,000 barrels, and in that year, I regret to say, it had sunk from one barrel to two-thirds of a barrel per head. In 1864, however, so powerful were the restorative processes which had been introduced, and so much had the consumption of beer been assisted by the legislation which took place in regard to spirits and otherwise, we go back with a population of 20,000,000 to the good old scale, and consume 20,000,000 barrels, or exactly the same quantity per head as in 1722."

Again: "Malt we may say lies half-way between the stronger liquors, such as wine and spirits on the one hand, and tea on the other."

"I grant that beer ought to be taxed more lightly than the wines which compete with it, and more lightly than spirits."

From these remarks of Mr. Gladstone, the policy of the British government is quite obvious, viz: to derive the greatest revenue from the greatest consumption of beer, and the greatest revenue from the smallest consumption of spirits; to encourage the consumption of the one and to discourage the consumption of the other.

*The following statistics show the number of persons engaged in the brewing of beer, and bushels of malt consumed by each class, for the years 1862-'63-'64, ending September 30 of each year.*

	Brewers.			Victuallers who brew beer for sale.			Malt consumed by brewers.			Malt consumed by victuallers.			Malt consumed by persons licensed to sell beer to be drunk on the premises.		
	1862.	1863.	1864.	1862.	1863.	1864.	1862.	1863.	1864.	1862.	1863.	1864.	1862.	1863.	1864.
England.....	2,226	2,250	2,295	23,549	22,791	22,162	25,376,063	26,121,810	26,174,182	7,053,331	7,121,111	7,594,969	3,122,311	3,145,983	3,576,903
Scotland.....	96	107	118	119	118	110	1,568,992	1,568,992	1,736,989	218,971	211,635	229,210	598		
Ireland.....	108	104	95				2,436,471	2,365,489	2,535,797						
	2,440	2,461	2,508	23,668	22,909	22,272	29,192,807	30,056,291	32,436,968	7,272,302	7,332,746	7,824,179	3,122,909	3,145,983	3,576,903
	23,668	22,909	22,272				7,252,302	7,332,746	7,824,179						
	23,668	22,909	22,272				3,122,909	3,145,983	3,576,903						
Total.....	26,108	25,370	24,780				39,566,018	40,535,120	43,848,050						

*Quantity of beer exported from the United Kingdom for the years 1862-'63-'64, ending September 30.*

1862.—410,262 barrels.....	£1,430,390 declared value.
1863.—504,313 barrels.....	1,702,152 declared value.
1864.—472,573 barrels.....	1,739,472 declared value.

## SPIRITS.

were charged with different rates of duty in England, Scotland, and although under the same government, and it was not until 1858 that rate of duty was charged throughout the kingdom of Great Britain. The following tables and remarks we have extracted substantially from Sir S. J. Fox's work on taxation.

*showing the rates per gallon established, beginning with the year 1820.*

Year.	England.	Scotland.	Ireland.
	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>
.....	11 8½	6 2	5 7½
.....	11 8½	2 4½	2 4½
.....	7 0	2 10	2 10
.....	7 6	3 4	3 4
.....	7 6	3 4	2 4
.....	7 10	3 8	2 8
.....	7 10	4 8	3 4
.....	7 10	7 10	6 0
.....	8 0	8 0	6 2
.....	8 0	8 0	8 0
.....	10 0	10 0	10 0

Result of the lower duty in Scotland was the illicit introduction of large quantities of Scotch spirits into England until the duties were equalized in 1855, when Irish duty was also increased. The result of the increase of duty has been a decrease in the consumption, as the following table will show :

*England.*

Year.	Duty per gallon.	Number gallons charged.	Duty received.
	<i>s. d.</i>		£
.....	7 0	7,407,204	2,592,521
.....	7 6	7,434,047	2,787,767
.....	7 10	8,166,985	3,198,735
.....	8 0	9,343,549	3,737,419
.....	10 0	9,508,002	4,469,740

*Scotland.*

The following table shows that up to 1861 the revenue in Scotland was but diminished by the increased duty :

Year.	Duty per gallon.	Number gallons charged.	Amount of duty received.
	<i>s. d.</i>		£
.....	2 10	4,752,199	673,228
.....	3 8	5,989,905	1,098,149
.....	7 10	5,344,319	1,839,636
.....	8 0	7,175,939	2,870,375
.....	10 0	5,816,835	2,750,781

The effect of this increase of duty was so sensibly felt in Ireland that the decrease in consumption from 1858 to 1861 was over 20 per cent., and from 1854 to 1858 still greater, as will be seen by the following table:

*Ireland.*

Year.	Duty per gallon.	Number gallons charged.	Amount of duty received.
	<i>s. d.</i>		<i>£</i>
1854.....	3 4	8,440,734	1,588,745
1855.....	6 0	6,228,856	1,633,392
1856.....	6 2	6,781,068	2,090,829
1858.....	8 0	6,101,376	2,338,624
1861.....	10 0	4,822,987	2,269,860

According to these statements, the amount of duty paid in 1861 was £9,490,381; while for the year 1864 it amounted to £10,173,000, the increase being £682,619. It is evident, therefore, that, notwithstanding the high rate of duty, the consumption is now on the increase.

Can it be supposed that *no* intemperance exists where so large a quantity of alcohol is drank? And can the intemperance which exists be chargeable to the use of beer? It is only where distilled liquors are but little used as a beverage that we can fully observe the effect which fermented drinks, such as beer and wine, produce on a people; and we shall remark more at large on this point before we close our report.

BELGIUM.

Leaving London on the 19th May, 1865, your commissioners proceeded to Brussels, the capital of Belgium. Much of the beer manufactured in this country is of very inferior quality—selling from \$3 31 to \$4 48 per hectolitre (26.4 gallons;) for lager beer, \$4 87; and for an imitation of English beer, \$8 77 per hectolitre. The retail prices are from 3 to 5 cents per glass, containing nearly one pint.

The population of Belgium in 1863 was 4,894,071, of which 1,298,394 were residents of cities and towns, and 3,595,677 of the country.

The Belgian debt at the end of 1864 was 609,236,123 francs, paying a yearly interest of 33,303,778 francs. The revenue of the government for the present year is 159,512,770 francs. The general expenditure, including the interest on the public debt, 154,044,740 francs.

The excise duty for beer is imposed on the malt at 4 francs per hectolitre, and is equivalent to 2 francs 5 centimes per hectolitre on the finished beer or 49.6 cents for 31 American gallons.

Before commencing his operations, the brewer notifies the excise officer who gauges the quantity of malt, estimating the quantity of beer the malt will produce.

The importation of foreign beer in 1863 was 17,488 hectolitres, and the exportation for the same period 21,964. The consumption of beer per head in Belgium is largely on the increase, notwithstanding its indifferent quality; for the period from 1861 to 1863 it was 1.38 hectolitres, or 36.4 American gallons.

The duty on spirits is small, and is charged at 2 francs 45c. per hectolitre (or 48 cents for 26.4 American gallons) on the contents of the vessel, and 35 francs per hectolitre on foreign spirits, equal to 25.8 cents per American gallon.

The government, however, charges a license duty for the sale of it by retailers, and this produces a revenue of 1,257,676 francs. The account of the revenue

from beer appears to be kept with that of vinegar, and we were unable to obtain the amount derived from beer alone.

The following table shows the amount of revenue derived from spirits, and from beer and vinegar, from 1859 to 1863 inclusive :

	Spirits. <i>Francs.</i>	Beer and vinegar <i>Francs.</i>
1859.....	6, 940, 069	7, 880, 751
1860.....	8, 673, 106	8, 701, 216
1861.....	9, 193, 810	12, 874, 647
1862.....	10, 762, 664	12, 946, 925
1863.....	11, 657, 435	13, 576, 574

#### GRAND DUCHY OF HESSE DARMSTADT.

On the 23d of May, 1865, we arrived at Mayence, in the Grand Duchy of Hesse Darmstadt, where we visited the Breys Scho. Actien, or joint stock brewery, which is under the able management of Mr. William Boss as chief director. It is a new brewery, having been in operation only four years. Within this short period the quantity of beer brewed in Mayence has increased one hundred per cent. About one-half of the whole amount produced is made at this establishment. The whole amount produced is 90,000 American barrels. The population of the city is 40,000 inhabitants. The wholesale price of winter beer is twenty-four kreutzers, or sixteen cents, per gallon; lager or summer beer is thirty-six kreutzers, or twenty-four cents per gallon. Beer is retailed at three kr. or two cents per glass of good size. Lager at four kr. or two and two-thirds cents per glass of same size.

The wages allowed their ordinary workmen are \$2 16 per week and their board, with an allowance for over-time, which makes an average of \$2 88 per week.

The population of this grand duchy in 1863 was 874,487 souls, and its annual revenue 3,200,231 kr., or \$1,280,024.

The income from wine was 83,811 fl., or \$33,524 40; the income from cider was 28,999 fl., or \$11,559 60; the income from beer was 366,999 fl., or \$146,799 60.

The tax on beer in the Duchy of Hesse Darmstadt is one guilder and five kreutzers per ohme of 41.33 gallons, which is equal to 32½ cents on an American barrel. It is assessed on the wort in the copper, thirty-five per cent. being allowed for evaporation and waste in fermentation. This rate of tax has continued for a long period.

Here, as in Baden, the brewer must make a declaration, previous to each brewing, and send notice to the government officers when the brewing will be made. He is not always present, but has a right to be.

Large quantities of wine are produced in this duchy and sold at reasonable prices.

The tax on spirits is \$2 50 per ohme, or a fraction over six cents per gallon. It is but little used as a beverage, and scarcely any intemperance exists.

#### GRAND DUCHY OF NASSAU.

In the Grand Duchy of Nassau the tax is assessed in the same mode as in Hesse Darmstadt, viz: on worts in the copper, with the same allowance for evaporation, &c. It amounts to one guilder and thirty kreutzers, or sixty cents on the ohme, or 41.3 gallons, on the finished beer. The tax is therefore equivalent to forty-five cents for thirty-one gallons. The consumption of beer in this province is largely increasing. Yet wine, as in all the provinces bordering on the river Rhine, is produced in the greatest abundance, of excellent quality, and at low prices, particularly for the lower grades.

The tax on spirits is about eight cents per gallon.

The population is 457,571.



## GRAND DUCHY OF BADEN.

The Grand Duchy of Baden is regarded as one of the best governed states in Germany. Your commissioners are indebted to Professor Karl H. Rau, of the University of Heidelberg and privy counsellor of the Grand Duke, and Dr. Vogelmann, minister of finance at Karlsruhe, the capital of the state, for much valuable information.

The tax was formerly placed on the malt. But the brewers, in 1825, protested so earnestly against it that it was taken off the malt and laid on the beer. Since that time it has been charged on the worts in the copper, and is one half kreutzer per maas. One hundred maas is equivalent to one ohm. The ohm contains 39.6 gallons. Therefore, fifty kr., or 33.4 cents, is charged for an ohm, which is equivalent to 26.2 for thirty-one gallons.

Before the brewer makes a brewing he gives notice to the excise officer, who is required to be present and gauge the contents of the copper. Should he fail to attend at the time appointed, the brewer is required to wait one hour, at the expiration of which he can proceed with his brewing. After the completion of the brewing, the copper is again closed and sealed, and cannot be opened until the next brewing.

In 1848, in consequence of the objectionable and inconvenient mode of assessing the tax, the brewers offered to pay the government an amount equal to the tax collected on the beer, and in lieu thereof, which offer was accepted by the government; but the dishonest brewers, by refusing to pay their proportion of the tax under this arrangement, compelled the trade to petition for the former mode of collection to be restored, which was done.

Beer sells at about \$4 for 31 gallons by the brewer, and 5 cents per quart by the retailer. The consumption is largely increasing each year, and it is preferred as a beverage, by the laboring classes, to the ordinary wines, which are produced in great abundance and sold at the low price of six kreutzers, or 4 cents, per glass, containing nearly a pint measure.

Wine is not taxed whilst in the hands of the producer. If sold to the dealer a tax is imposed of 106 kreutzers, or 70 cents, per ohm, (39.6 gallons,) and when sold to a retailer an additional tax is charged of 56 cents per ohm. The revenue derived from this source is 100,000 guilders, or \$40,000.

Spirits are chiefly distilled from the refuse of the grapes, and apples, cherries, and the small fruits; none is distilled from grain. The greater portion of the spirits distilled in the country is exported, there being but little consumed by the people. It was remarked to us by Professor Rau that "it was thought discreditable for any person to be seen drinking spirits as a beverage;" and by the minister of finance, Dr. Vogelmann, "that it was the policy of the government to encourage the consumption of beer, it being a harmless and wholesome beverage, and discourage that of spirits." On spirits a tax is imposed of 3 kreutzers (2 cents) per maas, or 5 cents per gallon, on the contents of the still per month. If a heater is used, 8 cents per gallon; and if steam, 10 cents per gallon. During the month the manufacturer is permitted to distil as largely as he may wish without additional charges. The revenue derived from this source is 80,000 guilders, or \$32,000.

The people of Baden are industrious and accustomed to hard labor, and here, as in other states of Germany, are chiefly employed in agricultural pursuits.

Wages for carpenters or other mechanics per diem, 70 kreutzers, or 57 cents; wages for an ordinary laborer or farm hand per diem, 54 kreutzers, or 37½ cents; wages for a woman for farm work per diem, 36 kreutzers, or 24 cents.

## WURTEMBERG.

The tax in this kingdom is imposed on the malt, and is 1 guilder 36 kreutzers, or 64 cents, on a centner (110 pounds.) An eimer (77½ gallons of beer) is produced from 6 simri of malt, or 158 pounds. The tax being 64 cents on 110 pounds, is therefore equivalent to 36½ cents per barrel of 31 gallons.

The brewer receives from the excise officer a form or blank on which is entered the quantity of malt to be ground for each brewing. The mill used for grinding the malt is under the control of the excise officer, who returns his certificate to the department of excise, and payment is demanded quarterly of the brewer for the amount of tax accrued during the three months. There is also a trade or license tax imposed of 3 kreutzers (2 cents) on an ohm, (40 gallons,) or 1½ cent on 30 gallons. No change has taken place in the rate of taxation for the past thirty-eight years.

No tax is imposed on wine when first manufactured, nor on the stock, nor on the sales of wholesale dealers, unless sold by them in less quantities than twenty-five bottles. The retail dealers pay an octroi or municipal tax of 10 per cent. on their sales.

The beer is pale, light, and of excellent quality. It is sold by the brewers at a price equivalent to \$4 per barrel of 31 gallons, and by the retailers at 12 kreutzers (9 cents) per maas, (nearly half a gallon.)

The consumption is increasing to an extraordinary extent, when we consider the large quantity and excellent quality of wine produced in the kingdom. It is now threefold greater than it was twenty years ago. This increase is the more surprising when we keep in view the decrease of the population during that period. According to the census return, December 3, 1864, the population of Wurtemberg was 1,748,338 souls, having increased since 1861 27,620, and being no greater now than it was sixteen years ago, a decrease having taken place during the revolutionary periods from 1849 to 1855, in consequence of the vast emigration to the United States, from 1,744,595 to 1,669,710.

The quality of malt is very similar to that produced in Great Britain, to whose ports it is frequently shipped. It is sold, on the average, for 6 guilders for 110 pounds, or 74½ cents for an American bushel of 34 pounds.

The hops used by the brewers are produced within the kingdom, and sell for an average price of 28 to 40 cents per pound. The workmen employed in the breweries are paid 5 florins, or \$2, per week, in addition to their board and lodging, furnished by the brewers.

Spirits are distilled chiefly from the small fruits and the refuse of grapes, but little grain being used. They are principally used for manufacturing purposes, and only in rare instances drunk as a beverage. The tax on them is quite small.

Before the brewing business had become so extensive, the beverages used by the people were cider and wine made from grapes and small fruits.

The public gardens are numerous in the cities, towns and villages, but nowhere does intemperance exist.

The revenue derived from the tax on malt is 900,000 florins, or \$360,000, or about one-fifth of that raised from indirect taxation. The revenue from the tax on spirits is 150,000 florins, or \$60,000.

We take pleasure in acknowledging our obligations to Emil Klauprecht, esq., United States consul, for much valuable information in relation to this kingdom, as well as for his kind courtesies and attentions.

## BAVARIA.

Your commissioners arrived in Munich, the capital of Bavaria, the 30th of May, and prosecuted their inquiries with much interest, so celebrated has Bavaria been, for several centuries, for its peculiar system of brewing, the excellence of its beer, the extent of its manufacture, and its general use among the people.

The Bavarian government first imposed a tax on malt liquors in 1290, of 7½ kreutzers for weak and 10 kreutzers for strong beer. Modifications of the tax were made in 1350, 1543, 1673, and 1750, increasing the rate, though lightly, and in 1811 the tax was fixed at its present rate, at which it has since remained. It is placed on the malt, and is 5 florins (\$2) per scheffel, equivalent to 252 American pounds. A scheffel of malt produces 6½ eimers of beer. An eimer of beer is 18 gallons, American measure. The tax, therefore, is equivalent to 53 cents per barrel of 31 gallons of beer. The tax is paid quarterly.

The brewer is required by the government to take out a permit before commencing his operations, and the malt, before being ground, is measured and weighed by the excise officer. The brewer is also required to use only malt, hops, and water in manufacturing his beer. For any violation of the laws, in avoiding the payment of the tax, or using substitutes for the above materials, a penalty is imposed of 100 Prussian (\$70) thalers for the first offence, 200 (\$140) for the second, 300 (\$210) for the third, when his property is confiscated.

The prices, wholesale and retail, at which beer is sold are fixed by the government. By special act of the national legislature these restrictions, at the solicitations of the brewers, have been removed to take effect October 1st of this year. Beer is sold by the brewers, for present use, at 5½ florins (\$2 20) per eimer, (18 gallons,) and for stock or lager 6½ florins (\$2 60.) It is retailed at 6½ kreutzers (4½ cents) per maas, the retailer having but one florin profit per eimer. A retailer having entered into arrangements with the brewer for his supplies of beer for six months or one year, is prohibited by law from obtaining his beer from any other brewery during the term of his engagement, and, in the event of his failing to make payment for his beer, a judgment and execution are issued against him by the civil officers, which takes precedence of other claims. An allowance of 5 per cent. is also made by the government to the brewers on the tax rates, as an especial privilege over other manufacturers. The brewers are permitted to distil their own yeast, lees, &c., into spirits, without an additional tax being exacted.

Notwithstanding the protection extended by the government to the brewers, the profits of the latter are but small. It was stated, by one of those most prominently engaged in the business, that his capital employed had not yielded, for 25 years past, exceeding an average of 7½ per cent. per annum.

The government has derived a revenue from the tax on malt in the year 1811, 1,000,000 florins, or \$400,000; 1830, 4,000,000 florins, or \$1,600,000; 1860, 7,000,000 florins, or \$2,800,000; 1864, 9,000,000 florins, or \$3,600,000.

The population of Bavaria in 1864 was 4,689,837; the national debt, \$121,100,000; the national income, \$51,500,000; the national expenditures, \$35,636,700. In two of the provinces of Bavaria, situated on the river Rhine, no tax on malt is imposed, in consequence of wine being largely produced, which comes into competition with beer in its consumption by the inhabitants.

We estimate the consumption of beer in Bavaria at 6,792,452 eimers, which does not include the provinces on the Rhine.

In the year 1816 and 1817 the barley crops having failed, the price of barley advanced to 23½ florins (\$9 40) per scheffel, which, enhancing also the price of beer, the consumption was materially reduced. In 1819, barley being abundant, the price declined to 5 florins (\$2) per scheffel, and continued low till 1844, never exceeding 10 florins, or \$4, per scheffel.

From 1818 to 1843 the brewing business (having received a great stimulus from the prices at which beer was sold) proving profitable, many new breweries were established, those in operation selling at from 500 to 800 per cent. on their former cost value. In Munich, in 1848, 54 breweries were engaged in making beer, when the supply became so abundant in the market and the prices so reduced that the losses sustained by the brewers were very large, and many breweries in consequence were closed, but 24 continuing in operation.

The consumption of malt liquor throughout the kingdom is largely increasing, it being one hundred fold greater than it was 20 years ago. It is truly a national beverage, used by the people at their meals, at their places of public amusements and at their festivals, and is largely substituted by the poorer classes for coffee. It is a novel sight, to an American, to see the people, early in the morning, drinking beer in the market-places whilst eating their breakfast. Having accepted an invitation from Mr. Richard Connor, acting consul for the United States, we attended the celebration of the annual festival of the artists, held near Munich on the 5d of June. There were assembled nearly 10,000 people of both sexes, who passed the day and evening in the lively enjoyment of their games, music, and various amusements, and drinking their wine, coffee and beer, but nowhere could be found any drunkenness or impropriety of conduct. Not a police officer was on the ground, or was required to be present to preserve order.

Previous to the year 1811 the brewing establishments belonged to the nobility and clergy, who were alone entitled to conduct them, the latter not being permitted to vend beer, and brewed only for their own use and that of the monastic institutions to which they were attached. In 1785 the people were permitted to brew for their own use, but prohibited from making sale of beer.

The people accustomed to purchasing beer at low prices oppose any advance beyond the usual cost of their favorite beverage. When, in the year 1847, in consequence of a partial failure of the barley harvests of the three years previous, the price of beer advanced from  $4\frac{1}{2}$  cents to 6 cents per quart, it caused a riot. The government, apprehensive of serious consequences to the public peace, was compelled to order a reduction to the former prices.

Through the courtesy and attention of the brewers of Munich, we had ample opportunities afforded us of visiting their establishments. The most extensive are those of Mr. Gabriel Sedlemyr and the Lion brewery. These breweries each cover an area of ground equal to from eight to twelve acres in extent, and are well and conveniently arranged, with the most approved apparatus for brewing. The annual production of each amounts to from 300,000 to 400,000 eimers (170,000 to 230,000 barrels,) the chief portion of which is consumed within the city of Munich and its vicinity. The beer, whether present use or lager, is of a light quality, and is stored in deep vaults underlying their buildings and grounds. The beer is preserved by ice, with which the vaults are covered and surrounded. In one instance 10,000 tons of ice were thus stored away in a single establishment. This is necessary for its keeping qualities, as but a small quantity of hops is used in the brewing, the public taste being averse to a highly hopped beer. The malting of their barley is conducted in cellars underneath their breweries. The floors are composed of square blocks of stone similar to those used by lithographers for their drawings, and they present a very level and smooth appearance, the stone being admirably adapted for the purpose by its cleanliness and durability.

The malt is dried on kilns of perforated iron plates, arranged one above the other. The germinating barley is permitted to "wither" somewhat before being loaded on the kilns. The upper kiln is loaded first, and when the vapor has been expelled, the grain is let down to the lower, when the upper kiln is again loaded with moist malt, the drying being thus accomplished within twenty-four hours from the time it is taken from the malting floor. Turf or peat is used as fuel, the fumes of which are conducted through two large flues, one above the other and underneath the lower kiln. This rapid drying is preferred to the slower process pursued in this country and in England.

The King's brewery, situated near the central part of Munich, is one of the prominent institutions of the city. Under the control and management of the government, it furnishes to the people, at cost, a light and refreshing beer, at

the low price of four cents per maas, containing rather over a quart. Under the long archway in front of the brewery you enter a door, hand the empty mug to the tapster, who is stationed by the large cask always freshly tapped, by whom it is filled, and, after paying for it, you take a seat at one of the long tables in the crowded saloon—if a seat is to be found. The daily sales here amount to 3,000 gallons.

Not less interesting was the visit of your commissioners to the monastery of St. Francis, situated within the limits of the city. Under the guidance of Dr. Max Petenkofer we were conducted to the ancient institution, and, after the usual formalities, invited to participate in the hospitalities of their social board. Surrounding a long table were seated the fathers, and a few strangers and some of the prominent citizens of Munich, enjoying their pleasant conversation. Before each was placed a large glass of beer, and it gives us pleasure to acknowledge the kind welcome we received and our enjoyment of the excellent and far-famed beer brewed by the Monks. We were permitted to inspect the complete and well-arranged little brewing apparatus.

Malt liquor, or beer, as it is universally called, is regarded by the people of Bavaria as essential to their health and enjoyment. They use it freely and with impunity. The superiority and low cost of this beverage exclude the use of that which is unduly stimulating and too often adulterated, and which not one in one thousand persons is habituated to the use of. The government recognizes beer as a national beverage, protects the people in its good quality, employs officers to inspect on the 30th of April of each year the beer stored in vaults of the brewers, and by light taxation encourages its consumption, deeming it necessary for the promotion of good morals and the contentment of the people. It is a fact worthy of great attention that intemperance is of rare occurrence, and that (as stated by a leading official connected with the military and government hospitals) only in a period of five or six years does a case of *delirium tremens* occur.

Barley is selling for 76½ cents per bushel, and malt for 99 cents per bushel.

The brewers allow their workmen seven quarts of beer per day. This and their wages amount to 70 cents per day.

The distillers, if regularly engaged in the business, pay 57½ kreutzers for every metze of grain. Six metze are equal to one scheffel. The tax, therefore, is 38 cents for 43 pounds of grain. But little spirits are drunk by the people, being used chiefly for export or manufacturing purposes.

There is no tax imposed on wine manufactured in the kingdom.

#### AUSTRIA.

We arrived in Vienna, the capital of Austria, on the 4th of June, and, on making known to the brewers the object of our mission, a kindly welcome was extended to us by them.

The finances of the empire are in a less enviable condition than those of any other of the continental states, and, notwithstanding the large revenue derived from internal taxation, the resources have proved insufficient to pay the interest on the public debt and the expenses of the government. A large deficiency in the revenue has occurred for many years past, for which there appears to be no relief in the future. The brewers bearing a part of the onerous taxes levied on the people, remarked that there was much difficulty experienced by them in paying the tax on malt liquor, and that they had been compelled to unite together in associations for the protection of their common interests.

The tax is laid on the worts in the coolers. These when reduced to a temperature of fourteen degrees Reaumur, are weighed for their specific gravity by an officer of the excise, who is present at each brewing and gauges the quantity. It amounts to 79 kreutzers per eimer of 9 degrees gravity, and 7 kreutzers for

every additional degree. In 1859 an additional rate was imposed of 20 per centum, termed a war tax.

The average strength of the best qualities of the beer is 13 degrees gravity. The saccharometer adopted by the government shows 2 degrees where the English shows 3 degrees. The beer pays a tax of 128.4 kreutzers per eimer; a kreutzer is equal to  $\frac{1}{2}$  a cent; an eimer to 14.95 gallons. To produce an eimer of beer it requires 28 $\frac{3}{4}$  pounds of malt. Compared with the average quality of malt required to make a barrel of 31 gallons, the tax would be equivalent to \$1 12 $\frac{1}{2}$ .

The following table shows the prices at which beer has been sold for the last six years, of the gravity of 13 degrees.

1860 and 1861, 8 <i>fl.</i> 55 <i>kr.</i> per eimer (15 gals.)	\$1 27
1861 and 1862, 7 <i>fl.</i> 5 <i>kr.</i> per eimer (15 gals.)	3 52
1862 and 1863, 7 <i>fl.</i> 5 <i>kr.</i> per eimer (15 gals.)	3 52
1863 and 1864, 6 <i>fl.</i> 4 <i>kr.</i> per eimer (15 gals.)	3 02
1864 and 1865, 6 <i>fl.</i> per eimer (15 gals.)	3 00

The retail prices of beer have been as follows for a maas equal to .37 gallon: 1860, 1861, 1862, 16 cents on winter and 18 cents on summer beer; 1863, 1864, 1865, 14 cents on winter and 16 cents on summer beer.

The prices at which barley has been sold during the same period in Vienna, were as follows:

1860 and 1861, 3 <i>fl.</i> 60 <i>kr.</i> for 72 Austrian lbs. = 88.5 English lbs. =	\$0 93 for 48 lbs.
1861 and 1862, 3 <i>fl.</i> 75 <i>kr.</i> " " " " " "	1 01 " "
1862 and 1863, 3 <i>fl.</i> 30 <i>kr.</i> " " " " " "	89 " "
1863 and 1864, 3 <i>fl.</i> 50 <i>kr.</i> " " " " " "	96 " "
1864 and 1865, 2 <i>fl.</i> 42 <i>kr.</i> " " " " " "	63 $\frac{1}{2}$ " "

The following figures received from the National Bureau of Statistics exhibit the receipts of the government for beer and spirits for 1862: Population of Austria, 18,760,142; taxes paid on beer, \$7,634,741; population of Hungaria and Transylvania, 17,507,506; tax paid on beer, \$558,725; population of the whole empire, 36,267,648; tax on beer, \$8,193,457; tax on spirits, \$6,938,695.

The city of Vienna contains a population of 520,000 souls. From the secretary of the Brewers' Association we obtained the following statement showing the quantity of beer consumed in the city, viz: in 1845, 715,280 bls.; in 1855, 683,050 bls.; and in 1864, 1,203,810 bls.

The increase in the consumption of beer, though gradual, is less than in most of the other states of Germany. Not only in Austria proper, but in the provinces, the beer produced by the downward or Bavarian fermentation is superseding that brewed by the upward or English fermentation. In the year 1857 there were 3,388 breweries, and in 1863, 3,230. Those producing beer by the upward fermentation in 1857 were 1,384, and by the downward 712; whereas in 1863 the former were reduced to 740, and the latter increased to 1,285. Other brewers manufacture a portion of each description.

The tax on spirits in Austria amounts to 6 kreutzers on each per cent. of a Vienna eimer, besides 20 per cent. war tax; that is to say, an eimer of spirits of 50 per cent. alcoholic strength pays 3 florins tax, besides 20 per cent. war tax, or \$1 80 per eimer, 14.95 gallons.

The United Empire of Austria derived the following revenue from beer, wine, cider and perry, and spirits, from the year 1862 to 1864 inclusive:

	Beer.	Wine, cider, & perry.	Spirits.
1862.....	<i>fl.</i> 16,367,920	<i>fl.</i> 7,065,899	<i>fl.</i> 138,58,388
1863.....	16,471,141	6,331,732	157,64,660
1864.....	16,513,133	6,283,092	142,83,754

Total amount from the three sources in 1864, \$18,539,989. The production of spirits is on the decrease. No tax is paid on wine by the producer; if sold to the dealer a tax is imposed as follows:

On 1 eimer (15 galls.) wine, sweet from the press, before fermented, without regard to quality or strength, 1 florin 40 kreutzers, or 70 cents.

Apple wine or cider, before fermented, 1 fl. 28 kr. = 64 cts. An additional war tax has been imposed since 1859 of 20 per cent. Wines are largely produced in Austria and the provinces of Hungaria and Transylvania, and are sold at low prices.

One of the most celebrated breweries in Europe is situated at Schwechat, distant about six miles from Vienna, and known as the Traher brewery. Mr. A. Traher, now deceased, the founder of this extensive establishment, before commencing the erection of his brewery, visited the prominent breweries of other countries and investigated their modes of brewing and the construction and arrangements of their utensils. By applying the knowledge thus obtained, and conducting his business on the most scientific principles, he commenced a business career which proved, and continued to be, for a period of thirty years, until his death, one of almost unparalleled success in this branch of manufacture. He also erected two other breweries in other provinces of the empire, which proved equally successful. That at Schwechat covers an area of seven acres of ground, upon which large and convenient buildings are erected for brewing, malting, &c. The malting and kiln-drying of the barley is similar to that in vogue in Munich, and the same description of admirable stone floors in use. Over the steeping cisterns iron pipes, six inches in diameter, extend, which are perforated with small holes, and into which water is conveyed, after the first washings of the grain have taken place, thus equally distributing the water over the whole. There are five mash tubs and three boiling vessels, or coppers, made of iron, lined with copper, and domed heads. The coolers are very extensive and made of copper. No artificial mode of refrigeration is adopted. Underneath the buildings are extensive vaults, to the depth of nearly forty feet, for the storing of beer. One-third of the space is appropriated for the storing of ice, which keeps the temperature at about 36° Fahrenheit, it seldom rising above 40° in the warmest summer. The quantity produced is 250,000 barrels annually, the brewing being discontinued during the summer months. In winter, and whilst in full operation, 2,000 barrels are brewed daily.

The beer produced is consumed chiefly in Vienna and its vicinity, though an export demand is springing up, chiefly to Egypt, to which country they are now shipping one hundred and fifty barrels weekly for the supply of the English and German residents there.

We desire to call your attention to some of the causes of the success of the Traher breweries, and to recommend to you the adoption of their system of thorough organization of each branch of their business. There is a chief brewer and his assistants—a head officer in each department; and here, as in England, chemists are employed to examine the heats and direct the malting of the grain, to submit to their tests the soundness of the worts in their various conditions in the coppers, coolers, and fermenting rounds, and when completed, and before being stored in their storing cellars, thus applying the most scientific principles to the manufacture of their beers, and guarding against every possible risk of disease or premature decay. The brewings are conducted in such a manner that assurance is given that the large quantity of beer stored for consumption will prove palatable to the public and maintain its reputation for superiority. But one per cent of the quantity manufactured is returned to the brewery by the customers as unsalable. The refuse grains remaining unsold each day are tightly pressed in pits sunk in the ground, are sprinkled with salt, and thus preserved for sale after the season for brewing has closed.

The beer most highly esteemed in Vienna is pale, brilliant, of a light strength, and lightly hopped. The superior Bohemian hop is preferred. But one pound per barrel is used in beer made for home consumption, and two pounds for that designed for exportation.

In consequence of the high taxation of beer in the Austrian empire, and in order to insure a large consumption of it, the brewers have been compelled, as in Great Britain, to control the prices at which it is sold by the glass or measure to the consumers. This they have accomplished by the establishment of beer gardens, and by owning or leasing many of the public houses in Vienna. Mr. Traher has erected several large and magnificent buildings, and it was stated that not less than three-quarters of a million of dollars were thus invested by him, furnishing to the public their justly favorite beverage at such prices as placed it within the ability of all classes to purchase.

#### SAXONY.

Arrived at the ancient city of Dresden, the capital of Saxony, we continued our investigations on the subject of our mission, being ably assisted by Mr. Joseph Vogel, chief manager of the celebrated Wald-Schlösschen, located within the suburbs of the city.

The tax is imposed on the malt, and amounts to 1 guilder (50 cents) on a centner, or 100 pfunds, equal to 110 pounds. Two and a half eimers, or 45 gallons, of beer are produced from 110 pounds of malt. The tax, therefore, is equivalent to 34.4 cents per American barrel of 31 gallons. This tax has existed for a period of fifty years. In some of the larger breweries the tax is commuted by the payment of a sum determined by the revenue department of the government.

Most of the breweries are organized as joint stock companies, and are in successful operation. The brewing of beer, to a large extent, is comparatively of recent date, and it was not until within a period of fifteen years that the Bavarian system was introduced, which gave an active stimulus to the business. Since that time the consumption of beer has increased more than a hundred fold, and is becoming the general drink of the people.

The native wines are free from taxation. Foreign wines are charged with a duty of \$2 80 per cwt. when imported.

In 1856 the production of beer amounted to one million and a half eimers, or 900,000 American barrels. In 1864 it had increased to 1,500,000 barrels. The population in the former year was about two millions of souls, and in the latter had increased to two and a third millions. The importation of beer from Bavaria during the same period had increased from 60,000 barrels to 90,000 barrels; in addition to which, large quantities are annually imported from Bohemia. The export from Saxony, according to the railroad statistics, amounted in 1864 to 21,600 barrels.

The barley is of superior quality, and sells for 2 Prussian thalers and 20 silver groschens, or \$1 87½, per scheffel, (140 pounds,) or 70.5 cents for 48 pounds.

Beer is sold by the cask at from \$2 80 to \$3 15 per eimer, (18 gallons,) and by the retailer at 6½ cents per quart.

In the manufacturing city of Crimmitschau, in the kingdom of Saxony, besides the prayers used in the Lutheran church for the welfare and preservation of the royal family and others in authority, and for the health of the people, there is one for the success and prosperity of those engaged in business, and especially for the brewing interests.

#### PRUSSIA.

On the 12th of June we arrived in the city of Berlin, and having called on several of the prominent citizens, to whom we had letters of introduction, we



again applied ourselves to the deeply interesting inquiries appertaining to the object of our mission.

The tax is laid on the malt. The excise officer, being notified, visits the brewery and weighs, in his weighing scales, (which he keeps under lock and key in his absence,) the malt intended for brewing. The certificate of weight is sent to the collector of taxes, who collects the amount of tax from the brewer. It amounts to 25 silver groschens per centner, or 100 pfunds=110 pounds. It requires 65 pounds to make a tonne of beer (30.2 galls.) The tax on a tonne of beer is 34.4 cents, or 36.25 cents on an American barrel of 31 gallons. No change in the rate of taxation has taken place for 35 years.

The beer brewed in this kingdom is on the Bavarian system. It is pale and of light gravity. But little hop is used, the beer being preserved by ice covering and surrounding the vaults in which it is stored. It is sold at seven thalers, \$4 90, for 31 gallons, and per quart at 3 silver groschens, or 7 cents.

Barley sells at 65 cents for 48 pounds. Hops ordinarily average about 40 cents per pound, and about 1½ pound is used per tonne. Malt sells for 30 to 40 cents higher per scheffel of 70 pounds than the price of barley. The quantity produced being inadequate to the want of the brewers, they have to import largely from the neighboring States.

The consumption of Berlin, containing a population of 550,000, amounts to 600 tonnes of beer, or 587 barrels of 31 gallons, per diem. The consumption of malt liquor is estimated to increase from 17 to 20 per cent. per annum, and this has existed for ten years past.

One of the largest breweries in Berlin is the joint stock company, called The Tivoli Brewery Company, situated in the suburbs of the city. The capital amounts to 1,400,000 thalers, or \$980,000. It covers an area of 13 acres. Large and commodious buildings of stone have been erected, under which are deep and extensive vaults for the storage of the beer. There is also attached to the establishment a large and ornamental saloon, capable of containing 3,000 persons, with gardens, tastefully arranged, adjoining. The production amounts to 300,000 cimers, or about 175,000 American barrels, annually. There are now eleven large breweries in successful operation in and near the city. A former King of Prussia, at the instance of the Queen, who was a Bavarian princess, and regarded the general use of malt liquors by her subjects as essential to their contentment and good government, sent two young men to Bavaria to acquire a practical knowledge of the art of brewing in that country. On their return a brewery was erected at the expense of the King at Potsdam, 18 miles from Berlin, and capital furnished to conduct the business, which was placed in charge of their protégés. The brewery was subsequently sold to them, and, under the patronage of the government, they were successful in the business, and acquired large fortunes from the profits thereof. Since that time the Bavarian system of brewing has been adopted by all the brewers. A "weiss" or white beer is brewed to a small extent, but is not popular with the masses of the people. We saw it only in use by the students of the university.

Professor Rau stated the tax on distilled spirits to be on the calculated rate 1 silver groschen per quart. A silver groschen is equal to 2.43 cents. The tax, therefore, amounts to 9¾ cents per gallon.

The revenue derived from beer amounts to 1,200,000 Prussian thalers, or \$840,000.

The population of Prussia is 18,491,220

#### FRANKFORT-ON-THE-MAIN

Is one of the free cities of the Zollverein and the seat of the Germanic confederation. It is noted for the wealth of its merchants and the extent of its commercial and banking operations.

The tax is imposed on the barley, and amounts to one florin and four kreutzers, 43½ cents, on the centner of 100 pfunds, or 110 pounds. This weight will produce 93 pounds of malt. It requires 90 pounds, government estimate, to make one ohm of beer. An ohm is 37.9 gallons. This tax, therefore, is 33½ cents for an American barrel of 31 gallons. The weights of the barley are taken under the supervision of an excise officer, and the tax is paid quarterly.

Beer is sold by the cask at \$4 58 for 31 gallons, and to the consumer at 3 cts. per glass, or 5½ cts. per quart.

The barley, which is not equal in quality to that grown in most of the other states of Germany, sells at 83 cts. for 48 pounds. As soon as it is received by the brewer it is screened, so as to separate it into three different qualities, of which the first two are malted separately, and the third is sold for feed.

The following figures show the consumption of beer for a period of twenty years ending in 1863, as compared with the population :

	Ohms of beer.	Population.
1843.....	22, 368	66, 338
1848.....	32, 429	68, 240
1853.....	39, 503	74, 867
1858.....	67, 447	80, 611
1863.....	83, 533	87, 517

Or 102,125 barrels of 31 gallons.

The foregoing statistics exhibit the extraordinary increase of nearly *four-fold* in twenty years.

The revenue that will be derived from beer this year is expected to amount to 100,000 florins, or \$40,000.

The tax on spirits in Frankfort and in the states of Germany is very small. But little intemperance exists, beer and wine constituting the chief beverages of all classes of the people.

Referring to the early history of Germany, we find it stated that the Emperor Charlemagne, about the year 794, issued an order from Frankfort-on-the-Main, within the walls of which city he held his council, that all able beer-masters should be sent to his court, where he gave instructions in person as to the best method of brewing. And in the sixth century it is mentioned in the law books of the Almain, "that every person belonging to a house of God must deliver fifteen seidels of beer (about 15 gallons) to the same per annum." It was not, however, until the twelfth century that beer was generally introduced as the common drink of the people.

In the fourteenth century strong beer was brewed in the German cloisters for the *patres*, (fathers,) and called "*patres' beer*," and a weaker kind for the poor and retainers of the convents, called "*convent beer*."

In the sixteenth century the business of brewing was carried on to a large extent. The cities of Ghent, Bruges, Ulm, &c., became celebrated for the superior quality of their beer and the number of those engaged in its manufacture. In those cities associations of brewers were established, whose political influence was recognized. In such cities or towns where good beer could not be brewed for the want of suitable vaults for storage the authorities purchased beer from the brewers of other cities, which they sold at cheap prices, by the small measure, in rooms or beer-houses, occasioning the establishment of the so-called "*rathskeller*," or town hall cellars.

At the present time there are 19,234 breweries in the countries composing the German Zollverein; of distilleries 13,208, whose products are chiefly used in the arts or exported to other countries.

Regarding beer as essential to the legitimate wants of the people, the rulers of Germany, from the earliest period, have contributed in many ways to its consumption. They have imposed but light burdens on its manufacture in the

form of taxation, and have adopted such measures as have insured to the people its good quality at low prices. In thus directing the tastes of the public in the use of this wholesome beverage it has become the national drink, and their subjects proverbial for their sobriety and industry.

The revised tariff of the Zollverein went into operation on the 1st of July, 1865. The duties on barley and hops remain unchanged. On spirits it has been reduced, whether in casks or bottles, from eight to six thalers, on wine from eight to four thalers, and on beer from eight to two-third thalers per cwt, which latter great reduction has been regarded by the people as a further encouragement to its consumption.

It was deeply interesting to us, in passing from one city to another, to view the vast extent of territory employed in the cultivation of the grape, principally on the precipitous sides of the hills that could not be otherwise appropriated. In the states of Prussia, Bavaria, Wurtemberg, Baden, Hesse Darmstadt, Nassau, Thuringia, and Hesse Cassel, the vineyards cover an area of 389,124 Prussian acres, producing on an average five millions of ohms of wine, or nearly 200,000,000 gallons.

#### SWITZERLAND.

We arrived at Berne, the capital of this little republic, on the 22d of June, and from Mr. Shomacher, the secretary of the treasury, we learned that there is no general law to regulate the duty on beer, wine, and spirits in this republic, as direct taxation by the central government does not exist. Some of the cantons have no tax whatever, and in those which have imposed taxes there is no uniformity. Of these cantons Lucerne imposes the highest tax on beer, viz., 5.46 cents per gallon, and Basle the lowest, viz., 0.55 cent per gallon.

Lucerne the highest tax on wine, viz., 10.92 cents per gallon, and Glaris the lowest, viz., one-half cent per gallon.

Soleure pays the highest tax on spirits, viz., 78 cents per gallon, and Valais the lowest, viz., 1½ cent.

In Zurich, Schaffhouse, Appenzell, Saint Gall, no tax is imposed on beer, wine, and spirits.

In Uri and Grisons there is no tax on wine and beer.

In Schuyz, Obwalden, Glaris, Vaud, Neuchatel, and Geneva, there is no tax on beer.

In Zong there is no tax on domestic wine or beer; in Soleure no tax on domestic beer; in Tessin no tax on domestic liquors.

#### FRANCE.

It is interesting to notice that in this great wine country, the consumption of beer is annually increasing, and produces a revenue equal to one-sixth of that of wine. Within the past two years this increase has been more marked and rapid than at any previous period, and we are informed, from a source that should be quite reliable, that the consumption in the city of Paris, which in 1863 was 450,000 hectolitres, or 383,000 barrels, will this year reach 1,000,000 hectolitres, or 851,600 barrels.

By the courtesy of M. Fould, the minister of finance, we were introduced to M. Amé, of the Première Department, who furnished us with the following details:

The government tax on beer is two francs and eighty-eight centimes per hectolitre (26.41 gallons,) and sixty centimes on small beer.

The duty on spirits is ninety francs per hectolitre for one hundred degrees of strength, equal to sixty-six and one-half cents per gallon; at fifty degrees forty-five francs, and in like proportion.

wine the duty is sixty centimes for consumption, and when sold one franc twenty centimes per hectolitre.

The duty is paid on the twenty-fifth of each month for the month preceding. The following statement shows the revenue derived from wines, cider and spirits and beer, for the years 1859, 1860, 1861, 1862, and 1863, inclusive :

	1859.	1860.	1861.	1862.	1863.
	Francs.	Francs.	Francs.	Francs.	Francs.
.....	92,982,085	85,966,297	86,730,261	93,581,101	98,302,319
.....	11,516,484	10,991,478	13,475,445	12,874,060	13,569,851
.....	53,765,472	66,886,546	79,129,296	81,528,983	82,832,239
.....	15,685,854	15,251,374	15,864,099	16,204,450	16,419,072
	173,949,895	179,095,695	195,199,101	204,188,594	211,123,481

The mode of assessing the duty, we are informed, is precisely the same as at Darmstadt. The government duty on beer of two francs and eighty-centimes per hectolitre amounts to sixty-six cents for thirty-one American bushels, and on small beer to fourteen cents.

The price of barley for the past year has averaged from 14.95 to 15 francs 0 kilogrammes, or 220 pounds. This is equivalent to 63.8 cents per American bushel.

The price of 30 francs for winter, and 33 francs for summer beer, is equal to \$7.85 per American barrel, respectively. It is retailed from 35 to 40 centimes, or 6 to 8 cents per glass, one third of a litre, or rather more than a pint.

The small beer is retailed at 10 centimes, or 2 cents, for the same quantity. It will be seen that the entire revenue from these sources produces but little more than one-half of that of Great Britain in a population one-fourth greater. Beer is the common drink of the French people, and they are proverbially temperate. A large quantity of spirits (eau de vie, or brandy) is produced, but mostly exported to other countries.

#### RUSSIA.

As stated by Professor Rau that the tax in Russia is imposed on the malt, 20 silver groschen, or 46½ cents, on 110 pounds. The latter will produce 100 allons of beer of ordinary strength, or for 31 gallons the tax will amount to 1.60 cents.

The tax on spirits amounts to 72 cents per gallon. They are much more freely used by the people, and much intemperance prevails in that country.

We are informed by Dr. Hebbe that there is no beer tax in Denmark nor in Norway. In Norway there is a tax on malt equal to 50 cents on a barrel of

In the recital of the foregoing facts and narrative of the travels of your commissioners, we have endeavored to convey a correct statement of the excise laws relating to malt liquors in Great Britain and the European states, the modes adopted for their collection, and the policy pursued by their governments in giving practical encouragement to the manufacture and consumption of beer, and recognizing it as an excellent beverage for the people, harmless in its effects and conducive to their health and good morals.

We have also shown briefly, and we fear imperfectly, the magnitude of the business; the large amount of capital invested; the skill employed, the care bestowed, and the thorough organization and admirable system in use, in the management of the brewing establishments.

## CONTINGENCIES OF THE BREWING BUSINESS.

It may not be out of place to call your attention to the peculiar characteristics of the brewing business, and the circumstances which determine the marketable value of beer. To those practically acquainted with the manufacture of malt liquors, whether ale, porter, or lager beer, we will be sustained in the opinion, that in scarcely any other branch of manufacturing are there so many obstacles to the production of a marketable article as in that of malt liquors. Limited as the brewer is to the use of barley for the manufacture of his malt, and to hops, for which (as a pleasant and aromatic bitter and preserver of his perishable commodity) there is no substitute, though wet harvests may have rendered the former unsound, and unpropitious seasons impaired the strength and value of the latter, he is compelled to use them. To unsoundness in the grain and the blight of the hop (which has so alarmingly manifested itself for the last few years in the agricultural districts of this country, and the consequent difficulty of obtaining a sufficient quantity of the best qualities to insure the keeping of the beer for any length of time) are mainly attributable the losses of the brewer, which, in this country, have been in some years so disastrous, causing bankruptcy in many instances. An eminent and long experienced and established brewing firm of England, it was stated, had not less than 20,000 barrels of beer returned to them by their customers in one year as unsalable. The sudden atmospheric changes oftentimes impair the quality of the beer. Unavoidable exposure, in transporting it from the brewery to a distant point of consumption, to severe cold, destroying its briskness and rendering it vapid and unpalatable; or to the summer's sun, which may cause acidity and the bursting of the casks, contribute to the disappointments and heavy losses to which the business is liable.

A speculative demand for beer is never known. It is not bought and sold in large quantities, and never appears in the published lists of prices current. Nor can it be advanced simultaneously with the increased cost of the raw materials. An increase in the price of the glass or measure to the consumer at once diminishes the sale, and it is plainly apparent that the large consumption in those countries we have visited is mainly attributable to the cheapness at which it is sold. It was remarked by one of the most celebrated and successful brewers of Great Britain, that some years the profits of the business did not exceed five per cent. on the capital employed, and by one, equally intelligent and respectable, in Bavaria, that, for the last twenty-five years, his capital had not yielded a profit larger than  $7\frac{1}{2}$  per cent. annually.

## COMPARATIVE RATE OF TAXATION IN EUROPE AND IN THE UNITED STATES ON MALT LIQUORS.

In the rate of taxation on malt liquors, imposed by the European governments, the policy of all is the same, viz: to encourage the increase of consumption. The rate of duty is in nearly all of the German states very low. Even in France, where the increase of consumption of malt liquors is comparatively of recent date, and the necessities of the government demand a large revenue, the tax is but two-thirds of that of the United States. In England, where the consumption has fallen or risen with the increase or decrease of duty with the sensitiveness of a thermometer, they have found that 94 cents per barrel secures the greatest consumption and the greatest revenue.

In Austria, one of the oldest and most powerful monarchies of Europe, with a larger amount of debt than any other of the German states, her financial condition verging on bankruptcy, her revenue the past year falling short of her expenses by millions of dollars, with a prospect of a deficit this year of still greater, a tax of \$1 12 on a barrel of beer is deemed sufficient, and certainly as much as that drink of the people will bear. Yet Austria contains a dense pop

her territory, for the most part, is thoroughly cultivated; her wealth is hoped. Every conceivable object of trade, merchandise, or pleasure, is to its utmost. If any new source of taxation could arise there, in the hidden or undeveloped wealth, or otherwise, the discovery would be with the most enthusiastic delight. It would tend to replenish her treasury, and to bolster, for a time, at least, her tottering finances.

United States of America, a comparatively new country, embraces more than thirty-five powerful States, either of which might form a respectable kingdom. Our common territory stretches from the ice regions of the north to the very tropics, and crosses nearly every degree of latitude temperate zone. From the Atlantic to the Pacific shores every variety of climate is found. A virgin soil, of inconceivable fertility, never broken plough, awaits the advent of the sturdy husbandman to yield forth its productions. A mineral wealth of untold millions lies slumbering in the bowels of the earth, and will start forth hereafter at the magic touch of the miner, to enrich the world with its vastness. Our immense territory, containing all the elements of agricultural and mineral wealth, is capable of sustaining a population of 500,000,000 of souls; and yet she numbers no more than the contracted empire of Austria. Her development will be so rapid in the future, that no man can reckon from the productions of one decade what they will amount to in the next. Her public debt, large as it may sound to Americans, unused to national indebtedness, is, in fact, but the merest bagatelle, when compared with her constantly increasing resources, and it will be growing smaller as those resources increase. Austria stands still or retrogrades; America advances with rapidity to a grand destiny.

For this state of facts it must be manifest that the tax on malt liquor, its manufacture and consumption of which keep pace with this amazing growth, is to be greatly less than in the decaying empire of Austria. Our wants and necessities in the shape of taxes are constantly decreasing; hers are constantly increasing.

#### IMPORTANCE OF THE BREWING INTEREST TO AGRICULTURISTS.

Brewing interests are becoming of great importance to the agriculturists of this country. The estimated annual production of malt liquors in the United States is 5,000,000 of barrels, in the manufacture of which 12,000,000 bushels of barley and 15,000,000 pounds of hops are required. To grow this large quantity of material, at an average yield of 30 bushels of barley and 1,000 pounds of hops per acre, there must be employed in the cultivation of the former, say 400 acres, and in the latter 15,000 acres of land, or 415,000 acres for both. Before these have proved to be among the most profitable of the crops to the farmer, and owing to the limited portion of the year during which the maltster can conduct their operations to advantage, they find a ready market, especially before the navigation of our rivers and canals is closed by ice. The policy of our government, like the policy of the governments of Europe, encourages and encourages and not the restraint of the manufacture of malt liquors, and dict that within a period of ten years from the present time their consumption will increase two-fold beyond their present quantity, requiring a corresponding increase in the production of barley and hops.

#### OFFICIAL EFFECTS OF THE USE OF MALT LIQUORS ON PUBLIC MORALS.

Permit us, in conclusion, to refer to the effects of the general use of malt liquors on the habits and morals of the people, a subject of no less interest to the philanthropist than to the politician.

The use of stimulants appears to be general among the nations of the earth, and is as ancient and barbarous. The large consumption of distilled spirits, wines, beer, and tobacco, shows this desire to be so universal that it is scarcely

inappropriate to call it a natural appetite. But there is a wide difference between the use of these stimulants, as beverages, upon national habits. While the free indulgence in the first is the fruitful cause of domestic misery, pauperism, disease, and crime, in others the effects are so harmless that men, women, and children daily partake of them with impunity. The fearful consequences of the excessive use of ardent spirits, the most florid declamation cannot too highly color. Its hideous statistics have been collected from prisons, almshouses, and hospitals; from the dwellings of the rich, where domestic misery was mocked by the luxury and splendor which surrounded it; from the dwelling of the poor, where, alas! it imposes still heavier burdens upon the gaunt shoulders of poverty. Statesmen, philosophers, warriors, poets, have each contributed their quota to the dismal category. Humanity has wept over it, but her efforts to arrest it have been but partial and transient. Legislation prohibiting the sale of spirits and fermented liquors, and voluntary pledges of total abstinence from their use, have been tried in vain. Your commissioners think they can say with confidence, yet with deep regret, that the efforts of temperance societies thus far have failed to diminish, to any appreciable extent, the use of spirits as a beverage. In aiming at too much they have accomplished too little; and this we conceive has arisen chiefly from the unwise course of including fermented drinks in the pledges required. Nor has the prohibitory legislation in some of the New England States been more successful. It has succeeded in placing a screen at the door of the bar-room, but not in arresting the traffic at the bar. To make cold water the exclusive national beverage has been found, and ever will be found, as we believe, impracticable; and, if practicable, would not be permanent. The same craving for some stimulant which made man abandon those primitive habits when his beverage was "water from the spring," would induce him to do it again, as long as human nature remains unchanged.

The remedy for national intemperance, we are persuaded, is not in the abolition or disuse of every beverage but cold water, but in the substitution for a hurtful beverage one which is harmless.

We feel that the manufacturing and vending of malt liquor is not injurious to our fellow-citizens, but that the more the manufacture and sale of it is extended the more will temperance be promoted and the revenue of the government increased. Malt liquor has been pronounced by high medical authority "not only an innocent but a salubrious beverage for those whose diet is not very nutritive." "Happy is the country," says an eminent English physician, "whose laboring classes prefer such a beverage to those mischievous potations of ardent spirits." Our own observation, and information derived from others, both attest the truth of this remark. We have seen, as we have stated above, thousands of persons—men, women, and children—in the German states, assembled, drinking their national beverage and enjoying their national games and sports with the greatest hilarity, and have failed to see a drunken one among them. The natives of these states who emigrate to this country bring with them their preference for the beverage, and the sports and amusements of their fatherland. No policemen are required to protect the public peace from any disturbance of it by a "Sängerfest" or "Turnerverein." When the services of the police are required at these festivals it is to guard their peaceful reunions and innocent enjoyments from the insolent and riotous intrusion of ruffians inspired by quite different potations.

The consequence of an habitual indulgence which leads so frequently to the excessive use of spirits is that, when the stimulus is withdrawn, the nervous system is depressed below its normal tone. The result is that craving which we call the thirst for liquor. An artificial stimulus then is necessary to restore their normal condition, and the quantity required for this purpose constantly increases. But no such effects follow from the use of malt liquors, which have

ment in the malt, a tonic in the hop, and contain but a small percentage of alcohol. They are stimulants, it is true ; but, like tea and coffee, " they cheer, but inebriate." Hence it is comparatively easy for a man to abandon the use of using malt liquor to excess perhaps easier than to abandon the excess of tea and coffee ; while every man's observation will tell him how rare are instances in which the deep drinkers of ardent spirits have been able to free themselves from the thralldom of a demon to whom they voluntarily become slaves.

Our country has just passed through a gigantic civil war. Four millions of men have passed from a state of bondage and tutelage to that of freedom and independence ; they have emerged from a condition unfriendly to the cultivation of strength of will and habits of self-control. Their habits, and consequently the wealth which their industry will add to the country, will be influenced in some degree by the beverages of which they will habitually partake.

What shall this be ? Shall it be distilled spirits, whose habitual use induces intemperance which statesmen and philanthropists alike deplore ? Or shall it be a mild and harmless beverage, which the taste and policy of the most civilized communities approve, and whose beneficial effects on national habits and moral character for temperance demonstrates ? The future character of the laboring population of the southern section of our country will be influenced by the response of the government to these questions. It is true the government cannot, by direct legislation, prescribe what shall be the beverage of the people, or of any part of them, but they can discriminate in their excise laws, as they have done in their tariff laws, between subjects of taxation, for reasons of public policy. As they have given incidental protection to manufactures in their tariff on imports, they can in the same way, in their excise laws, encourage any object which concerns the welfare of the people.

Respectfully submitted :

FREDERIC COLLINS.  
MATTHEW P. READ.  
FREDERICK LAUER.

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#### SPECIAL REPORT No. 7.

*Report of the United States Revenue Commission on petroleum as a source of national revenue.*

OFFICE OF THE UNITED STATES REVENUE COMMISSION,

*February, 1866.*

1: By the act entitled "An act to provide internal revenue to support the government and to pay interest on the public debt," approved July 1, 1862, a tax was imposed "on coal illuminating oil, refined, produced by the distillation of coal, asphaltum, shale, peat, petroleum, or rock oil, and all other bituminous substances used for like purposes, ten cents per gallon: *Provided*, That such oil, when produced by the distillation of coal exclusively, shall be subject to a duty of eight cents per gallon, anything in this act to the contrary notwithstanding." These duties were to be levied, collected, and paid, on such oils as from and after the first day of August, 1862, should be produced and sold or be manufactured or made and sold, or removed for consumption, or for sale to others than agents of the manufacturer or producer within the United States or territories thereof. When exported, an allowance or drawback was



given of the amount of the duties paid. This act took effect September 1, 1862.

By the act of June 30, 1864, in lieu of the former duties, duties were imposed "on coal illuminating oil, refined, and naphtha, benzine, and benzole, produced by the distillation of coal, asphaltum, shale, peat, petroleum or rock oil, and all other bituminous substances used for like purposes, a duty of *twenty cents* per gallon: *Provided*, That such oil, refined and produced by the distillation of coal, asphaltum, or shale exclusively, shall be subject to pay a duty of *fifteen cents* per gallon, anything to the contrary notwithstanding: *And provided, also*, That naphtha of specific gravity exceeding eighty degrees, according to Beaumé's hydrometer, and of the kind usually known as gasoline, shall be subject to a tax of five per centum *ad valorem*."

By the act of March 3, 1865, the same provision was re-enacted, except that the specific gravity of gasoline to pay a duty of five per centum *ad valorem*, was reduced to seventy degrees Beaumé, and "distillate" was designated next after "naphtha," as one of the products subject to the duty of *twenty cents* per gallon.

By the eighth section of the act it was provided that there should be levied, collected, and paid, on all *crude* petroleum or rock oil that might be produced and sold, or removed for consumption or sale, a duty of one dollar on each and every barrel of not more than forty-five gallons; and all petroleum or rock oil that might be in possession of the producers at the place of production on the day when the act would take effect, should be held and treated as if produced on that day.

By the act of June 30, 1864, a drawback of the amount of duties paid was allowed upon all of said products, except refined *coal* oil, naphtha, benzine, or benzole. By the act of March 3, 1865, a drawback of the amount of the duties paid was allowed on all of said products, except *crude petroleum* or rock oil, refined coal oil, naphtha, benzine, or benzole. The last act took effect April 1, 1865, and is still in force.

"Distillate" is a general term, and means any fluid produced by distillation of the substances named. It is more particularly applied by refiners to the distilled oil before it is treated with chemicals.

Naphtha is the first product of the distillation. It is of very high specific gravity, and is a mixture of volatile hydrocarbons, of which benzine is the most abundant. It is used as a solvent of caoutchouc, and other gums of a similar nature, and of resins in the manufacture of varnish, and by painters as a substitute for spirits of turpentine. Naphtha prepared for the London market has a specific gravity of .735 to .726, marking sixty to sixty-two degree on Beaumé's hydrometer. It is known as *crude*, or that which has been but once distilled, and rectified or redistilled.

Benzine, benzole, or benzule, is obtained from naphtha by repeated distillation and treatment with sulphuric acid and other chemicals. Its chemical composition is, C. <sub>12</sub>, H. <sub>6</sub>; in 100 parts its analysis yields, carbon 86, hydrogen 14. It is colorless, has a peculiar smell, dissolves fat and resins, and is used in the arts for cleaning cloth, leather, &c., and in place of alcohol, ether, and turpentine, for dissolving gums, resins and other commercial products. When treated with strong nitric acid, it produces nitro-benzole, which is used in perfuming, as a substitute for oil or bitter almonds.

Gasoline is a very light naphtha. Refined illuminating oil is essentially the same, whether produced from coal, asphaltum, shale, peat, petroleum, or other bituminous substances. Like naphtha it is a mixture of hydrocarbons, some of which are the result of changes produced by heat. It consists chiefly of toluene, C. <sub>14</sub>, H. <sub>8</sub>, and cumene, C. <sub>18</sub>, H. <sub>12</sub>. It varies in constituent parts, and in quality, according to the care used in the preparation. The process of manufacture is, to admit the crude oil, from a receiving tank, into covered kettles or retorts; then subject it to heat not exceeding 700° F., or a dull red heat, which

causes evaporation. The vapor passes off by a worm, in which it is condensed and from which the product runs into a tank, called the distillate tank. The first product is naphtha, the next is the distillate for illuminating oil, and the last is a heavy oil, containing paraffine. In many refineries the naphtha and paraffine oil are taken back to the receiving tanks and worked over with the crude. The distillate for illuminating oil is conveyed from the distillate tanks into the treating tanks, where it is treated with sulphuric acid, caustic soda, and other chemicals, to purify and deodorize it. It is drawn off thence into the oil tanks, and is ready to barrel for market. The residuum in the kettles is a tar, which is sometimes worked over with the heavy oil for the production of paraffine or mineral wax, used in the manufacture of candles; more often it is sold, and used for covering roofs and wooden pavements, and timbers of bridges, &c. Crude oil from coals and shales, and some impure petroleums, are subject to repeated distillations. The cost of manufacture is at present about five cents per gallon. The product of illuminating oil is from 75 to 80 per cent. of the crude. Crude oil of the gravity of 42° yields very little naphtha. Oil of the gravity of 46° yields about 15 per cent. The amount of residuum is from two and a half to five per cent.

The receipts of revenue from petroleum and coal oil, &c., have been as follows :

1863, for ten months.....	\$649,962 09	
1864.....	2,255,328 80	
1865, on crude for three months.....	\$229,546	
“ on refined.....	3,047,213	
		3,276,759 00
1866, for six months on crude.....	\$1,047,043 08	
“ “ “ on refined, &c.....	2,613,038, 77	
		3,660,081 85

Of the receipts for 1865, only \$95,998 90 were from oils distilled from coals and shales, amounting to 16,000 barrels of 40 gallons each. The rest of the receipts, \$3,180,760 10, were from petroleum and refined oil made from petroleum, excepting an insignificant sum received from naphtha and benzole.

It will be expected of the commission to give an account of the development of a product so recently unknown to our commerce, and now of such vast importance.

#### AMERICAN PETROLEUM—ITS HISTORY.

Petroleum, or rock oil, was known to and used by the Indians, who esteemed it highly as a medicine. That it had also been collected in large quantities by a race of people more advanced in civilization, who preceded the Indians upon this continent, is quite probable, from the testimony taken by the commission. Upon Oil creek, in Pennsylvania, remains of old wells or oil pits are still to be seen. “Some of these pits were ten or twelve feet in diameter and eight or ten feet deep, and the Indians had a tradition that they were dug by a people who lived before their race. So old were they that large oak trees had grown and decayed in them, but the oil had preserved their roots. When the pits were first opened by white men, they were found to be walled in by timbers which were very well jointed.” The use of petroleum has been common in Eastern Asia for centuries, and the discovery of these pits seems to strengthen the hypothesis of a migration from Asia to this continent.

Ever since the settlement of the country by the whites, the rock oil had been obtained in small quantities in New York, Pennsylvania, Virginia, and Kentucky. It was sold by the druggists as a liniment and for other medicinal uses, under the names of Seneca oil, rock oil, American oil, &c. The mode of collecting it was by digging trenches or pits, and, by means of woollen cloths gathering the oil which rose to the surface. Occasionally, parties boring for

salt water were incommoded by the flow of a blackish substance, which proved to be crude petroleum; and ordinary wells had also been spoiled from the same cause.

As early as 1856, five or six barrels per day of petroleum were collected by Messrs. Irwin & Peterson, and other parties, from salt wells, at Tarentum, on the Alleghany river, twenty-one miles above Pittsburg, Pennsylvania. This oil was refined and sold for illuminating purposes by Messrs. T. H. Nevin & Co., and afterward by Mr. William McKeown, all of Pittsburg.

The circumstances which led directly to the recent extraordinary developments in this country are thus related by a witness, Mr. George H. Bissell, of New York: "In the year 1853, I saw at the office of Professor Crosby, of Dartmouth College, a bottle of petroleum, given him by Dr. Brewer, of Titusville, Pennsylvania, found upon his (Dr. Brewer's) land, on Oil creek. I became greatly interested in the product, and, about six months after, proceeded to Titusville, with Mr. J. G. Eveleth, who was then, and had been previously, my partner in other business. We bought together from Brewer, Watson & Co., what were then thought to be the principal oil lands of Pennsylvania. They were in extent one hundred acres in fee simple, and one hundred and twelve acres on lease for ninety-nine years, on Oil creek, about two and a half miles below Titusville, for which lands we paid \$5,000. Before purchasing we prospected the land. We dug holes in the ground, six or seven feet deep. The oil and water together percolated into these holes, and the oil was afterwards gathered by dipping woollen cloths into the mixture, and wringing the cloths out. In three or four hours, one of the holes would collect from a pint to a quart of oil. \* \* \* We did not prospect the oil for medicinal purposes, but we believed it would be a good illuminator, and we sought it as an article of commerce. Illuminating oil from coal was just beginning to be talked of, but very little was made then. We then, in 1854, organized a company in New York city, under the name of the Pennsylvania Rock Oil Company. The nominal capital was \$500,000. This was the first petroleum company ever organized in the United States, or elsewhere, so far as I know. I think it antedates any other company by at least five years, as I believe no other company was organized till 1859, after the first well was struck.

"We proceeded to develop these lands by trenching them, and raising the surface oil and water into vats. These trenches varied from twelve to eighteen feet deep, three to four feet wide, and about sixty or seventy feet in length, and were dug so as to converge, increasing in depth, to a central point at a small saw-mill upon our land, where we collected the oil which had run from the different trenches to that point by a pump worked by the water power connected with the mill. The supply was very limited, amounting to, perhaps, a few barrels in the course of a season, which we sold for \$1 50 per gallon, to parties who retailed it for medicinal purposes. These primitive operations were conducted for about three years. In the spring of 1855 we employed, at considerable expense, Professor Silliman, of Yale College, to analyze the oil, and we furnished him with all useful apparatus for his experiments. Professor Silliman was engaged about four months in his analysis, and in the fall of 1855 we published his report, which was full and elaborate. This report excited attention in New Haven, and some gentlemen in that city proposed to take an interest in our company on condition that it should be reorganized in New Haven. This was done, Professor Silliman being elected the first president.

"The work of trenching the lands was continued until 1858, when we heard that Mr. Kier, of Pittsburg, had obtained a small quantity of oil from one of his salt-wells near Pittsburg, which oil somewhat resembled our own. These salt-wells were artesian wells, the same kind which are now bored for oil, and were usually sunk to a depth of several hundred feet. They were quite common, and have been for many years, in the neighborhood of Pittsburg, and in the

Kanawha region, and a large supply of salt has been obtained from them. \* \* The Pennsylvania Rock Oil Company then determined to sink an artesian well, and concluded a contract with some of its members, the condition of which was that the company should receive twelve cents per gallon for all oil raised from their land, the lessees to pay all expenses for future developments. The lessees employed one of their number, Mr. E. L. Drake, as superintendent, to oversee their operations on Oil creek, and furnished him with the necessary capital. Mr. Drake commenced operations at once, but was delayed by many obstacles, until, finally, on the 28th of August, 1859, the first vein of oil was obtained from a well sunk in one of our trenches upon the bank of Oil creek, about two miles below Titusville, in Venango county, Pa. This vein was struck at a depth of sixty-nine feet and six inches from the surface. The well produced oil for six or eight months, but it never exceeded four hundred gallons per day. I think the production ceased in about eight or nine months.

"Our success in striking oil created a great excitement, and was the beginning of the petroleum business in America. Immediately upon the striking of oil, Mr. Eveleth and I went out to that region and commenced purchasing land. Our entire purchases at that time amounted to something in the neighborhood of \$200,000. A month or two later many other parties appeared in Venango county to buy lands for oil purposes, and by December the hotels in Titusville were crowded with speculators. By that time several wells had been started, and preparations were being made for a large development. I think that the Parker and the Crossley wells were struck in December, 1859. The Crossley well yielded thirty-five or forty barrels a day. The Parker well was smaller. The next well of importance was a well on the Hamilton McClintock farm, which was struck that winter or early in the spring.

"The Evans well, at Franklin, which produced about twenty barrels a day, at one time, was struck in the winter or early in the spring. The Hoover well, a very celebrated well on the Alleghany river, below Franklin, was sunk by our firm, Eveleth, Bissell & Co., in the spring, and was a forty-barrel well."

Several witnesses estimate the product from all the wells in June, 1860, at about two hundred barrels.

From that time forward the production increased rapidly. By January 1, 1861, it is supposed to have reached seven hundred and fifty barrels per day, and in the spring of 1861, twelve to fifteen hundred barrels per day, in Venango county, Pennsylvania. The production of the Kanawha region, West Virginia, had also become large, but was soon after lessened by the inroads of guerillas.\*

Late in the spring and in the summer of 1861 borings were pushed through the first and second strata of sandstone. At a depth of between four and five hundred feet cavities were reached filled with oil and carburetted hydrogen gas. The surface water and oil were forced out by the gas to a great height, in some instances sixty or seventy feet above the surface, and the fortunate adventurers were in possession of flowing wells of oil.† Three of these wells, the Burnt well on the Blood farm, five miles above Oil City; the Phillips well, and the empire well, yielded each over two thousand barrels per day, with but slight diminution for months. The production increased almost immediately from twelve hundred to about eight thousand barrels per day, a large portion of which was allowed to run to waste, for want of facilities for preserving it, and on account of the mere nominal value to which it was reduced by the over-sup-

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\* In January, February and March, 1861, large wells were struck in West Virginia. The Llewellyn well—a flowing well—yielded three or four hundred barrels per day, but was destroyed by fire within a few days after it was struck. In the spring the production was probably eight hundred barrels per day at first. For the year it may be set down at five hundred barrels per day. For 1862, as much or more. For 1863, and at present, two hundred barrels per day.

† The first flowing well was struck near the Kanawha river, in October, 1860.

ply. The yield continued to increase, other flowing wells, besides many pumping wells, being struck from time to time.

The daily production for the year 1862 has been estimated at twenty thousand barrels, of which it is probable that three-fourths were wasted.

The production for 1863 was probably not over one-half that for 1862. That for 1864 was still less. By May 1, 1865, the production had declined to less than 4,000 barrels per day. Soon after that time, the marvellous discoveries upon Pit-hole creek began to take place. A large number of flowing wells were struck at a depth of between six and seven hundred feet, mostly upon a single farm of 150 acres—the Holmden farm. By these and other discoveries—the most recent of which are upon Bennehoff's run, and the Stevenson farm on Oil creek—the product has been increased, until it is now in the neighborhood of 12,000 barrels per day, most of which finds its way to market. The amount of the product will be more carefully considered in a subsequent part of this report.

The excitement caused by the success of the first wells sunk was but little diminished by the decline in prices, which, however, was quite rapid.

The first oil obtained from the well of the Pennsylvania Rock Oil Company was sold at fifty-five cents per gallon. By July, 1860, the price at the wells had declined to seven cents per gallon. In October, it was ten cents. It advanced steadily until January 1, 1861, when it reached twenty-five cents per gallon. It continued at about that figure, until toward the end of February. On the 1st of March, 1861, it was fifteen cents; on the 10th of March ten cents. The decline continued with the increasing supply, until just before the discovery of the large flowing wells. In the summer the price had fallen to five cents per gallon, or two dollars per barrel. The sudden and immense increase of the product almost totally destroyed its value. Thousands of barrels daily were allowed to flow away, and the sales made in August and September were as low as fifty cents, and even twenty-five cents per barrel. Sales were made at forty cents per barrel in October, November and December, and even as low as thirty-five cents later in the winter.

Nearly all these purchases proved unfortunate. The flood of oil reduced the price at the seaboard to nine cents per gallon in May, 1862, which occasioned a loss to the seller of the first cost of the oil, and from one to two dollars per barrel in addition.

Our enterprising merchants had already visited Europe, seeking a foreign market. The first shipment abroad had been made in October, 1861. The exports for that year were 1,112,476 gallons, or 27,812 barrels. When the flood reached the European ports, in the summer of 1862, the same destruction of values took place that had occurred here. Parties who had bought in New York at nominal prices, suffered heavy losses. But the article was thus forced upon public attention; and, although for the time being the markets were glutted, the way was opened for a future and increasing demand.

The suspension of specie payments in the spring of 1862, and the subsequent rapid advance in the price of gold, contributed to reanimate the oil business; speculation revived, and in October the price was carried as high in New York as fifty cents per gallon for crude. By December it had receded to twenty-five cents. During the year 1863 it ranged between eighteen and twenty-five cents. In 1864 the advance in price was rapid and great, from twenty-nine and a quarter cents in January to fifty-six cents per gallon in July. It continued high, but with some fluctuations, until January, 1865, when crude was selling at forty-nine to fifty cents.

The advance in the price of gold and exchange, which began in the spring of 1862, and continued until it reached its maximum in the summer and fall of 1864, soon carried up prices to a point at which the oil would pay all expenses of transportation, and give the owner of the well from three to seven dollars,

and at one time even ten dollars per barrel. Then wells, which a few months before were worthless, owing to the low price of oil, became of immense value.

Speculation in oil lands and the organization of oil companies immediately followed to an enormous extent. Lands before almost valueless were sold to speculators at fabulous prices, and were again resold to other speculators at prices still higher, or were revalued by the holders at an immense advance, and used by them in the formation of joint stock companies or pretended companies, by means of which the stock was sold in parcels wherever the spirit of speculation had been sufficiently excited by the newspaper reports of sudden fortunes made by oil operators, and by other means used for the purpose. Many of these companies were fraudulent, and only entailed loss and disappointment on those who were induced to take stock in them. Many others, perhaps the largest proportion, were honestly organized and conducted with integrity.

The amount of capital thus withdrawn from other pursuits, or the savings of the community, and applied to the purchase and development of oil territory, cannot be accurately estimated, but is supposed to exceed one hundred millions of dollars.

The tide of oil speculation, or the "oil fever," as it was called, was at its height when the masterly combinations of Grant and Sherman, using the immense resources placed by Congress at the disposal of the Executive, brought the rebellion to a sudden close, and restored to something like its real value the national currency which, under the apprehension of the failure of the Union, had depreciated as low as forty cents on the dollar. Gold which, compared with the currency, had been worth over two hundred and fifty per cent., declined to one hundred and thirty. The returns from shipments of petroleum and the currency price at home were reduced to a great extent, and as the cost of transportation and other expenses continued with little or no change, the effect was again disastrous upon the business. A great flood in Oil creek also destroyed much oil and reduced the product. The war tax of one dollar per barrel on the crude oil, which took effect the 1st of April, 1865, still further depressed the business and disheartened those engaged in it. The fictitious character and utter worthlessness of many of the oil companies, and the disappointments experienced by most of them, becoming known to the public, added to the depression.

In the mean time prices began to advance abroad, owing to the increasing demand and diminished supply. An immense number of wells were sunk by companies organized the fall and winter previous. Although most of these proved unprofitable, among the exceptions were the great flowing wells upon Pit-hole creek, to which reference has been made. Some productive wells were also sunk in Ohio, western Virginia, and Kentucky. And it is now probable that with the necessary reductions in taxation and cost of transportation, the business will assume a permanent character as one of the branches of our regular mining industry.

We have thus sketched, as briefly as possible, the remarkable history of the petroleum development in this country.

#### ANALYSIS OF PETROLEUM.

Petroleum is, as has been remarked of the refined oil, a mixture of hydrocarbons of various compositions, all free from oxygen. It is an oleaginous fluid of a brownish or greenish color; a strong and peculiar odor; feels smooth and greasy between the fingers; does not congeal at low temperatures, and burns with a bright but very smoky flame. It varies greatly in density all the way from 23° to 57° Beaumé, and is divided into two classes, the heavier, or those below about 35°, being designated and used as lubricating oils for oiling machinery; and the lighter, or those above 35°, as illuminating oils, from which

are manufactured the refined oils for photogenic purposes. The general appearance and properties of both classes are nearly the same.

The instrument used in the United States for measuring their density is the hydrometer of Beaumé. The specific gravity indicated by different degrees of Beaumé's hydrometer, and the weight of the oil per American gallon, appear from the following table :

			Weight per American gallon.	
23	degrees Beaumé; specific gravity,*	.9183.....	7lbs. 11oz.	
24	"	" .9125.....	7	10
25	"	" .9068.....	7	9
26	"	" .9012.....		
27	"	" .8957.....		
28	"	" .8902.....		
29	"	" .8848.....		
30	"	" .8795.....	7	5
31	"	" .8742.....		
32	"	" .8690.....		
33	"	" .8639.....		
34	"	" .8588.....		
35	"	" .8538.....	7	3
36	"	" .8488.....		
37	"	" .8439.....		
38	"	" .8391.....		
39	"	" .8343.....		
40	"	" .8295.....	6	15
41	"	" .8249.....		
42	"	" .8202.....		
43	"	" .8156.....		
44	"	" .8111.....		
45	"	" .8066.....	6	12
46	"	" .8022.....		
47	"	" .7978.....		
48	"	" .7935.....		
49	"	" .7892.....		
50	"	" .7849.....	6	9
55	"	" .7643.....	6	6
60	"	" .7350.....	6	2
65	"	" .7180.....	6	0

The following analyses of different samples of petroleum were made by Prof. H. Dussauce of New Lebanon, New York.

*Analysis of Enniskillen petroleum, Canada West.*

Light-colored naphtha, density 45°.....	20
Heavy yellow naphtha, density 36°.....	50
Lubricating oil rich in paraffine.....	22
Tar.....	5
Charcoal.....	1
Loss.....	2
	<hr/>
	100
	<hr/>

\* The densimetre of Gay-Lussac, in use in France, indicates the specific gravity.

*Pennsylvania petroleum, of a dark greenish color, strong but not unpleasant real odor; evolves an inflammable vapor at ordinary temperature—density 40°.*

ba, specific gravity 59½°	14.7
oil, specific gravity 40°	41.0
ating oil	39.4
ne	2.0
	2.1
	0.8
	<hr/> 100.0 <hr/>

*Other Pennsylvania petroleum—density 41½°.*

ba, specific gravity 59½°	15.2
oil, specific gravity 40°	39.5
ating oil	38.4
ne	3.0
	2.7
	1.2
	<hr/> 100.0 <hr/>

*American petroleum, locality unknown—density 40°.*

ba, specific gravity 59½°	4.3
oil, specific gravity 40°	44.2
ating oil	45.7
ne	2.7
	2.2
	0.9
	<hr/> 100.0 <hr/>

*Western Virginia oils—from wells of burning springs—density 42°.*

ba	13.25
oil	43.75
r oil	38.62
ne	3.57
	0.80
	0.01
	<hr/> 100.00 <hr/>

*Petroleum Station—mixture of the wells—density 37½°.*

ba	7.49
oil	36.62
r oil	51.25
ne	4.36
	0.28
	....
	<hr/> 100.00 <hr/>



*Analysis of three specimens—locality unknown.*

	Density 35°.	Density 28°.	Density 45°.
Naphtha .....	7.63	3.27	10.63
Lamp oil .....	31.18	20.42	40.29
Heavy oil .....	49.52	67.53	38.25
Paraffine .....	8.79	2.25	8.07
Coke .....	2.67	4.88	2.36
Loss .....	0.21	1.65	0.41
	100.00	100.00	100.00

It may be said, in general, that there are different species of oil, as there are different species of coal. Some, as those found in Canada and some parts of Kentucky, contain considerable sulphur and other offensive ingredients, which makes them more difficult to purify and less valuable.

The lubricating oils may be used for coarse machinery without preparation. The supply is limited, scarcely any of the wells yielding more than twenty barrels per day. The average does not exceed six. The market for lubricating oils is very limited and uncertain, although it is improving. They will not bear shipment abroad, as they are manufactured and sold in Europe in large quantities, and at lower prices than they can be afforded by the American producer.

The illuminating oils require to be distilled and refined before they are fit for pleasant use.

Oil from the same well differs in quality according to the time of its exposure to the air, as the naphtha escapes by exposure, and the remaining oil becomes more dense and of lower gravity. The deep flowing wells yield a very pure but light oil.

The following table shows the density of oil from several of the most noted localities:

	Degrees.	Beaumé.
Mecca oil, Ohio .....	26	to 28
French creek, Pennsylvania .....	28	to 31½
Alleghany river, Pennsylvania .....	34	to 39
Oil creek, Pennsylvania .....	43	to 47
Pit-hole creek, Pennsylvania .....	49½	to 57
Burning spring, West Virginia .....	42	to 43
Enniskillen, Canada West .....	42	to 43
Province of New Brunswick .....	23	to 36

## COMBUSTION OF PETROLEUM.

When petroleum is ignited the product is bi-carburetted hydrogen gas, identical with the purest coal gas. The light is brilliant, fully equal to that produced by any other substance in use for illuminating purposes. Professor B. Silliman, jr., of Yale College, gives the following as the result of some experiments made by him:

*Table of illuminating power of various artificial lights, compared with Judd's patent candles, as a unit.*

Source of light.	Ratio to candle, 1
Gas burning in Scotch fish-tail tips, 4 feet to the hour .....	1 5.4
Gas burning in Scotch fish-tail tips, 6 feet to the hour .....	1 7.55
Petroleum burning in one-inch camphene lamp, consuming 1¾ ounces of fluid the hour .....	1 8.1

Carcel's mechanical lamp, burning best sperm oil, 2 ounces fluid to the hour, wick seven-eighths of an inch.....	1	7.5
Carcel's mechanical lamp, burning best colza oil, 2 ounces fluid to the hour, wick seven-eighths of an inch.....	1	7.5
Camphene lamp, (same size as petroleum above,) burning best camphene, 4 ounces to the hour.....	1	1.1

The comparative cheapness of petroleum will be seen from the following table showing the present prices at wholesale :

Candles, sperm, per pound .....	40 to 50 cents.
Candles, sperm, Judd's patent, per pound.....	50 cents.
Candles, stearic, per pound.....	33 to 34 cents.
Candles, adamantine, per pound.....	22½ to 24 cents.
Burning fluid, per gallon.....	\$2 50 cents.
Sperm oil, crude, per gallon .....	2 45 cents.
Sperm oil, winter, unbleached, per gallon .....	2 60 cents.
Lard oil, per gallon .....	\$1 80 to 1 90 cents.
Petroleum refined.....	67 to 70 cents.

Notwithstanding its great illuminating power, petroleum, owing to its peculiar smoky flame, would not have come into general use had not the way been prepared for it by other discoveries and inventions, some of them dating back in the last century or before.

Rev. John Clayton, towards the close of the sixteenth century, discovered coal gas and its utility for illuminating purposes, but no application was made of the discovery until the year 1792, when Mr. Murdock, of Cornwall, England, commenced a series of experiments, the result of which was so encouraging that Dr. Henry and others became interested in their further prosecution. Gas was at length introduced into some manufacturing establishments. In the years 1803 and 1804 the Lyceum theatre in London was lighted with gas, and by the year 1816 it had become quite common both in England and France, both of which countries claimed the discovery. In a few years more its use had extended to all parts of the civilized world.

This discovery and the common process of distillation used for production of gas, and various experiments with different coals, peats, and oils, made in connexion therewith, and with different lamps and burners for the more economical use of gas, have naturally resulted in the manufacture of the hydrocarbon oils from the coals and shales in the art of purifying and refining the oils as now practiced, and in the invention of the kerosene or petroleum lamp, which has removed the objection to the use of these oils for illuminating purposes.

These inventions, with the application of the artesian well, by which the existence of extensive subterranean oil deposits has been demonstrated, and the present enormous production has been chiefly brought about, have added greatly to the wealth of the world, and indirectly to the advancement of civilization, by reducing the cost of artificial light. When we reflect that artificial light adds, perhaps, on an average, one-eighth to each day for all the inhabitants of the earth, and when we consider the inestimable value of the time thus gained, not only for the prosecution of industrial pursuits, but for social enjoyments and the cultivation of the mind, we can appreciate the immense utility of these inventions and discoveries by which is being brought into general use a better light, unlimited in its supply, and at a greatly reduced cost.

De Saussure, of Switzerland, Reichenbach, of Moravia, the Chervau brothers, and Selligie, of France, are the most conspicuous of those who invented, improved, and utilized the processes for producing illuminating oils from the coals, shales, and schists. They deserve the credit of having created on the continent

of Europe that branch of manufactures, which had become quite large more than fifteen years ago, and is now of very great importance.\*

Among those who may claim to rank as public benefactors, the names of Luther Atwood, of Massachusetts, and James Young, of Bathgate, Scotland, will not be forgotten. The inventions of Dr. Atwood are both ingenious and useful. Mr. Young's process for obtaining oil from the coals and shales is of the greatest value, and has given a strong impulse to that branch of industry.

The patents of Mr. Young, taken out in Great Britain in 1850, have now expired there, but his letters patent, obtained later in the United States, will continue in force here until 1871. They are understood to be for the destructive distillation of coal, shales, and asphalt, from the lowest temperature of decomposition up to a dull red heat, for the production of paraffine oil or oil containing paraffine.

It is in evidence before the commission that the lamps so indispensable for burning petroleum were first introduced here from Vienna, Austria. They were preceded by American inventions on the same principle, but less perfect.

#### FOREIGN SOURCES OF SUPPLY.

The commission have deemed it important to obtain and report such information as was within their reach in reference to the sources of the supply of petroleum, asphalt, and oil-bearing minerals, in other parts of the world, in order that a judgment might be formed respecting our ability to ship and sell to a profit in foreign markets, either with or without a continuance of the present tax.

They have found it difficult to obtain full information.

#### FOREIGN PETROLEUM.

*Japan.*—A reddish colored petroleum is found in Japan, and is used by the inhabitants for burning in lamps and for other purposes.

*China.*—Petroleum is obtained and used for light in some parts of China.

*The Burman Empire.*—Celebrated and very productive petroleum wells exist in Burmah. They yield a large revenue to the government, being retained as a monopoly. The oil is used for illuminating by all ranks of the inhabitants, and is sold in the interior, where it comes in competition with the sesamum oil, and is displaced by it when the distance from the wells has increased the cost of transportation beyond a certain point. It has also been sold in large quantities to the Price Candle Company, of London, which company is understood to have the exclusive right of purchase of all shipped from the country. They are said to have bought this oil as low as four cents per gallon, or \$1 60 per barrel. The quality is equal if not superior to that of any American oil. It is of lower gravity, containing but little naphtha, and a much larger proportion of paraffine.

The wells, which have been in use probably for centuries, are numerous. They are in a sandstone and clay formation, near the village of Renangyaong or Rangun, on the banks of the Irawaddy. Their general depth is from two hundred to two hundred and forty feet. The shaft is of a rectangular form, about four feet by six in size, and is formed by sinking a wooden frame. The liquid appears to boil up from the bottom like an abundant spring, and it is extracted in buckets and sent to all quarters of the country. The product is

\* See the scientific treatise of Dr. Thomas Antisell, of Georgetown, D. C., on the manufacture of hydrocarbon oils, to which the commission are indebted for some valuable information.

† "It is said that the product of the Burman wells has been equal to 600,000 barrels a year. At one time, some fifteen or twenty cargoes a year were sent to Europe." Testimony of Samuel Downer. Advices by letter from Rangun give 450,000 barrels as the annual product. Ira Bursley states that when he was in London, in June, 1861, "the Price Candle Company had on hand an amount equal to 20,000 barrels of Rangun petroleum."

able to increase by the use of better appliances, under the direction of skilled workmen. We have no reason to suppose that it may not be increased to a very great extent by sinking new wells on the modern plan.

*India, Persia, and Turkey in Asia.*—There were formerly, and probably are still present, abundant springs of petroleum in the mountains of Zarka, in Persia.

The springs of Baku, near the Caspian sea, are well known. The region around the Caspian could furnish an unlimited supply. The oil is in common use among the inhabitants. The great natural depression of the Caspian sea, like the other salt lakes of Asia, including the Dead sea, is an interesting feature in connexion with the petroleum springs and the deposits of asphaltum. Along the river Tigris springs of naphtha and bitumen (petroleum) are found in great number. It is used in lamps by the inhabitants. "This substance is found in such abundance that it is allowed to flow into the Tigris, where, floating on the surface, it is sometimes set on fire by the boatmen, and exhibits the appearance of a burning river."

It is a well-ascertained fact that petroleum was used by the ancient Assyrians as a cement with which to lay the bricks in building the city of Babylon. It was obtained from the fountains of Is, the modern Hit, on the right bank of the Tigris. They continue to flow copiously, and are considered to be inexhaustible. Their celebrity was so great that they were visited in turn by the Greek and the Roman emperors Trajan and Julian.

Petroleum is found upon the Black sea and Sea of Azof. The attention of American capitalists has been drawn by the extraordinary surface indications. For more companies have been formed, and preparations are in progress to explore the wells and ship the product.

*Persia in Europe.*—Large shipments of a good quality of petroleum have been received in England from Wallachia. Whether the supply will be constant, we have no means of ascertaining, but we learn that those shipments have recently fallen off. However, capital continues to be invested there, and it is not improbable that the region of the lower Danube will yet prove very productive.

*Italy.*—In Parma, Italy, near Salzo Maggiore, at Amiano, ten leagues south of the capital, salt springs exist, from which large quantities of salt are obtained, yielding formerly to over 30,000 quintals per annum. Petroleum oil, used by the inhabitants, is obtained in great quantities from the neighborhood of the salt springs. It is drawn up in buckets from wells sunk in the earth for the purpose.

*Other parts of Europe.*—Petroleum is found at Tegern lake, in Bavaria; at Salies, in the Pyrenees. Surface indications are met with in other localities, about which we have no definite information.

*North America.*—We cannot report to what extent petroleum has been found in North America, except in regard to one locality about which we have preformation. On the northern coast of Peru, not far from the port of Paíta, the indications extend over a territory forty or fifty miles square. A grant of lands has been obtained by some New York capitalists. They have sent skilled operatives from Oil creek with all the needful machinery and apparatus. These operatives report that there are ten times the surface indications of petroleum that they ever saw at any point in Pennsylvania. The first well reached a depth of seventy-three feet, and contained four or five feet thick of pure oil. The quality and gravity of the oil proved upon analysis about the same with that from the Alleghany river. Raw labor costs about sixty-two and a half to seventy-five cents per day. Water is scarce, obtained by condensation. There are good harbors in the oil territory for the purpose of ordinary draught.

*Canada.*—Quite a number of wells have been sunk in Canada West. Some

have yielded largely, and the supply is said to be considerable. Dr. T. Sterry Hunt, F. R. S., chemist to the Canadian Geological Survey, testified before us on the 18th of August last, as follows :

"I have not any definite knowledge in regard to it, (the extent of the then production of petroleum in Canada.) It is my opinion, judging from the facts which have come to my knowledge, that the production of petroleum in Canada is not more than two hundred or three hundred barrels a day. I do not consider the present yield more than sufficient to supply the population of Canada. I expressed an opinion of that sort two years ago in *Silliman's Journal*—that the prospect of a large yield of petroleum in Canada is not flattering, the petroleum-bearing rock being, for the most part, at the surface, or covered only by superficial deposits, instead of being, as in Pennsylvania, buried beneath sandstones, which serve as reservoirs for the oil ; consequently, the original deposits of petroleum in the rocks of Canada West have long since been wasted. My belief is that they may for several years to come furnish a moderate quantity ; but a large future supply cannot be depended upon."

Our most recent information is that the production has increased to nearly six hundred barrels per day. The quality of the oil is good, except that it is strongly impregnated with sulphur, and perhaps with arsenic. The distillation produces very offensive odors, and the deodorization and cleansing require about two and a half times the amount of chemicals used with the Pennsylvania oils.

#### SEMI-LIQUID BITUMENS AND ASPHALTA.

The semi-liquid bitumens differ from petroleum in containing some oxygen, although less than the asphalta. They cannot at present be worked to as good advantage as either petroleum or the fatty coals. However, the London Asphaltum Company have been obtaining from fifty to fifty-five per cent. of burning oil from the chapapote, or mineral tar of Cuba.

These bitumens are found in large quantities in various parts of Europe, Asia, and North and South America. The most noted deposits are the Pitch lake of the island of Trinidad, which is three miles in circumference, and the chapapote or asphaltum beds near the coast, on the south side of the island of Cuba, which are shipped from St. Trinidad de Cuba. Quantities are obtained from the island of Barbadoes, and near Coquatimbo, in Peru ; also in several departments of France, in Switzerland, Germany, Albania, and in Asia Minor and Persia.

The asphalta, or hard mineral resins, contain, in a hundred parts, from seventy-six to eighty-eight parts carbon, from two to ten oxygen, and six to fourteen hydrogen. Owing to their excess of carbon and their oxygen, they have not yet been found of much if any value for the manufacture of illuminating oils. There are some eighteen or twenty varieties. They may hereafter become interesting as surface indications of subterranean deposits of oil. They may also be made more useful for photogenic purposes, by new modes of treatment.

The conclusion of the commission is that the American supply of petroleum might entirely disappear, and enough could be obtained from foreign countries to supply the markets of the world for generations to come.

#### FOREIGN COALS, SHALES, AND SCHISTS.

The supply of fatty coals, shales, and schists, which can be used to advantage in the distillation of oil, is inexhaustible.

The following tables will show the approximate yield of crude oil per ton obtained from several of the best known species:

Species.	Locality.	Gals. of oil, per ton.
Albertite .....	New Brunswick.....	110 to 115
Schists.....	New Brunswick.....	40 to 50
Shales.....	Nova Scotia.....	60 to 70
Shales.....	Scotland.....	30 to 50
Boghead coal.....	Scotland.....	.. to 120
Curled cannel coal.....	Wales and England.....	70 to 90
Ordinary cannel coal.....	Wales and England.....	40 to 50
Schists.....	Menat, Auvergne, France.....	30 to 50
Schists.....	Vouvaut, France.....	20 to 25
Brown coal, or lignite.....	Saxony.....	42 to 56
Shales.....	Autun, France.....	35 to 42

For comparison, we give a table by Dr. Eaton, of New York, showing the approximate yield of several American cannel coals:

State.	Locality.	Gals. crude oil, per ton.
Kentucky.....	Breckinridge cannel.....	100 to 140
Virginia.....	Cannelton.....	93 to 105
Ohio.....	Cochocton county.....	87 to 93
Ohio.....	Mahoning county.....	45 to 75
Ohio.....	Jefferson county.....	45 to 70
Ohio.....	Columbiana county.....	.. to 45
Pennsylvania.....	Beaver county.....	40 to 56

The albertite is a coal of a deep black color, a resinous appearance, and glassy fracture, found in a perpendicular deposit or vein near the St. John river, in New Brunswick. The mine is principally owned in New England. Oil is manufactured here from this mineral at a profit, although to a very limited extent, notwithstanding the abundance and cheapness of petroleum. Shales are formations of imperfect slate or clay impregnated with bitumen. They are found in horizontal strata, not usually more than two or three feet thick. Schists are deposits of limestone impregnated with oil. The lignite, or brown coal, is a formation between a peat and ordinary coal. It sometimes contains a large proportion of oil, with a great deal of moisture. The color varies from a dingy white to a very dark brown. It can be worked with a spade, and is moulded into the form of bricks, and sold for fuel, in Germany, where it is very abundant, and lies in beds from ten to sixty feet in thickness. When perfectly dry it is lighter than water.

The commission have taken considerable testimony respecting the production of oils in Europe; and from the character of the gentlemen examined, their superior intelligence, and excellent opportunities for obtaining information, it is believed to be entirely reliable, both as regards the facts and the opinions based upon them. Two of these witnesses had visited Europe in 1861, and again in the summer of 1865, spending several months in procuring, in connexion with their business, a knowledge of the facts to which they testify. One of them, Mr. Bursley, had been abroad, four summers out of five since 1860, and another, Mr. Nottebohm, was a merchant of Hamburg, engaged largely in selling American oils. All of these witnesses had personally visited and inspected the mines and oil factories either of Great Britain or the Continent.

The most recent observations, in July and August, 1865, showed the follow-

ing facts: In North Wales and Staffordshire, the material used was the cannel coal. Some fifteen or twenty mines and oil works were visited there. The number was very great, and rapidly increasing. The amount of capital employed was quite large. The wages paid miners were \$2 per day, equivalent to about 50 cents per ton of coal. The best cannel coal was worth \$3 or \$4 per ton; common coal, on the ground, \$1. The coal was usually broken fine and retorted; the crude oil was treated with chemicals, and subjected to several distillations. The product was an oil, nearly but not quite equal to our best refined, worth from two to five cents per gallon less. The supply of material was not limited; the total cost of production of the refined oil was 1s. 3d. (30 cents) per imperial gallon, or less.\* The selling price, at wholesale, was 1s. 6d. to 1s. 10d. (36 to 44 cents), package included, delivered in Liverpool or London.

In Scotland, the manufacture was very extensive, both from the Boghead coal and the shales. Mr. Young had recently bought a large tract of shale lands, at an outlay of from \$500,000 to \$1,000,000. The shales, though yielding less oil, were said to be equally profitable with the cannel coals, owing to the greater ease with which they were reduced, and the greater purity of the product. The shales were supposed to be inexhaustible. Manufacturers were in high spirits, and undoubtedly making money fast. The total cost of the purified oil there was about the same as in Wales—30 cents per gallon, or under. The increase in production since 1861 was very remarkable, and it was evident that the business had not been injured by the large shipments from this country, but had assumed a permanent and lucrative character.

On the continent, the same increase in the business, and the same evidences of prosperity, were visible. The chief centres of oil production were about Autun, in France, from the shales and schists; about Bonn, in Switzerland, in the departments of Halle and Mersberg in Saxony, and in Bohemia, from the shales and brown coal. The supply of these materials was very great.

At one mine and factory at Weissenfels, 500 laborers were employed. The highest wages paid for skilled labor, mechanics and artisans, were seventy-five cents a day; for miners and common laborers, thirty to forty cents. Much of the work was done by women at still lower rates. The bed of brown coal at this mine was sixty feet thick. The average cost of production of the several grades of refined oil did not exceed twenty-five cents per gallon; the selling prices at the neighboring railway stations were as follows:

First quality, 10 Prussian dollars† per 100 German pounds; second quality, 9½ Prussian dollars per 100 German pounds; third quality, 8 Prussian dollars per 100 German pounds.

Or, reduced to American money and gallons:

First quality, 41½ cents (gold) per gallon; second quality, 39½ cents (gold) per gallon; third quality, 33 cents (gold) per gallon.

The production of coal in 1863 and 1864, in the two small districts of Mersberg and Halle, were as follows:

1863, Mersberg, 12,255,365 German tons; 1864, Mersberg, 14,421,551 German tons; 1863, Halle, (No. of mines 371,) 24,149,214 German tons; 1864, Halle, (No. of mines 371,) 26,260,856 German tons.

The number of miners employed in the 371 mines in Halle, in 1864, was 11,219. A German ton is 331⅔ pounds avoirdupois. The total product of Mersberg and Halle in 1864 was 6,015,184 American tons of 2,240 pounds each, worth, at \$3 per ton, \$18,045,552.

\* The imperial gallon is 1⅔ American gallons.

† The rix dollar or thaler of Prussia and the northern states of Germany is equal to sixty nine cents in American coin.

Twelve oil factories near the town of Weissenfels, in Halle, produced in 1864—

	German pounds.
Crude tar .....	55,000,000
Burning oil .....	15,000,000
Refined paraffine .....	3,500,000
Lubricating oil .....	2,000,000

Reduced to our avoirdupois weight—100 German pounds being equal to 110 $\frac{1}{1000}$  pounds avoirdupois—the figures would be:

	Pounds avoirdupois.
Crude tar .....	60,500,000
Burning oil .....	16,500,000
Refined paraffine .....	3,850,000
Lubricating oil .....	2,200,000

In regard to the extent of the brown coal deposits, they are pronounced to be inexhaustible. A single company, "The Brown Coal Works," at Weischen, in their report, dated July 31, 1865, estimate the amount of coal in the ground owned by them at 95,900,000 German tons, and their lands comprised but a minute portion of the territory in which this coal is found in paying quantities.

Taking into account, also, the product and supply of material in other parts of Saxony, in Bohemia, in Switzerland, in France, and in the north of Italy, it will be seen that the witnesses have good grounds for the opinion they express that the foreign production of oil from minerals will be a permanent and paying business under any contingency, even supposing that our oil should be produced at the wells at a nominal price, and sold at a very low figure to our dealers for shipment.

In France the production from the shales is being very much extended, and large investments of capital are being made in that direction. There are also extensive refineries near Paris and at Marseilles, where they refine our crude oil, when it is sufficiently low in price. When prices advance beyond their views, they use the crude oil from the shales and coals. The French tariff duty of three francs per one hundred kilogrammes on refined, crude being admitted duty free, lessens the importation of refined oil.\* The best refined oil was selling at these factories at from sixty-five to seventy-two francs per one hundred kilogrammes. It advanced subsequently to about eighty. These prices would be equivalent to from thirty-two to thirty-eight cents, gold, per American gallon.

The quality of the oil produced on the continent is good, but somewhat inferior to ours. The odor is stronger, and, containing more carbon, it burns with more smoke; yet it can be produced so cheaply that our merchants must always expect a sharp competition, even if they should not be driven out of the markets of Europe.

The conditions there are most favorable to cheap production, very low wages, very low interest, and abundant capital, as well as abundant raw material. Add to these the advantage of being in the midst of the dense oil-consuming population, where we seek our customers, and it becomes evident that the prospects of our foreign trade are not such as to warrant the continuance of any heavy burdens upon it. *It is also evident that not only the merican petroleum, but the foreign petrolcums also might cease to be obtained, and yet the markets of the world could be amply supplied by the products of the foreign coals, shales, and schists.*

\* Both crude and refined are admitted free of duty in all other European countries, so far as the commission are informed. The duty in France on oils of pétrole and schiste, rectified and refined, is as follows: Per 100 kilogrammes (221 pounds avoirdupois,) from the country of production, by land, 5 francs (93 cents;) by sea, in French vessels, 3 francs (55.8 cents); in foreign vessels, 5 francs; from any other than the country of production, 5 francs, whether in French or foreign vessels.



## EXPORTS OF PETROLEUM.

The following table will show the exports for the last four calendar years from the United States, with the several places of destination of the shipments from New York :

*Export of crude and refined (including naphtha, &c.) from New York for the years 1865, 1864, 1863, and 1862.*

Destination.	1865.	1864.	1863.	1862.
	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>
To Liverpool.....	1,605,302	734,755	2,156,651	1,781,377
London.....	376,283	1,430,710	2,576,381	1,191,399
Glasgow, &c.....	156,167	868,402	414,943	24,151
Bristol.....	110,412	29,124	71,912	.....
Falmouth, E.....	509,815	316,402	623,176	.....
Grangemouth, E.....	102,292	.....	425,384	.....
Cork, &c.....	1,157,486	3,310,362	1,532,257	299,356
Howling, E.....	.....	87,164	.....	195
Havre.....	604,330	2,324,017	1,774,890	794,221
Marseilles.....	1,333,752	1,982,075	1,167,893	135,765
St. Nazaire and Rouen.....	97,841	.....	143,646	.....
Cette.....	.....	4,800	.....	200
Dunkirk.....	110,059	232,803	.....	2,700
Dieppe.....	.....	79,582	46,000	61,692
Antwerp.....	1,749,062	4,149,821	2,692,974	823,690
Bremen.....	231,983	971,905	903,004	459,522
Amsterdam.....	.....	77,041	436	.....
Hamburg.....	1,049,300	1,186,080	1,466,855	229,384
Rotterdam.....	292,569	532,926	757,249	16,938
Guttenburg.....	.....	33,813	.....	81,960
Cronstadt.....	891,389	400,376	88,060	.....
Stettin.....	53,317	.....	.....	.....
Cadiz and Malaga.....	97,782	58,474	33,281	.....
Tarragona and Alicante.....	44,988	16,823	33,000	.....
Barcelona.....	5,128	25,500	.....	.....
Gibraltar and Malta.....	73,751	69,181	308,450	157
Oporto.....	28,205	17,474	2,339	.....
Naples and Palermo.....	22,615	7,983	57,115	3,990
Genoa and Leghorn.....	686,611	679,606	399,674	21,000
Trieste.....	66,371	165,175	3,000	.....
Alexandria, Egypt.....	.....	4,000	.....	.....
Lisbon.....	93,713	167,195	64,662	.....
Canary Islands.....	5,244	3,358	5,125	1,296
Madeira.....	.....	.....	400	480
Bilboa.....	153,818	2,500	.....	.....
China and East Indies.....	44,630	34,338	36,942	3,970
Africa.....	17,090	25,195	12,230	655
Australia.....	735,891	377,884	304,166	283,639
Otago, N. Z.....	14,880	10,810	5,500	7,850
Sydney, N. S. W.....	162,923	97,880	48,013	113,750
Brazil.....	291,752	149,678	160,152	54,967
Mexico.....	194,936	112,985	69,481	18,616
Cuba.....	716,738	418,134	356,436	213,686
Argentine Republic.....	68,856	20,260	24,470	7,390
Cisplatine Republic.....	72,852	78,552	117,626	13,227
Chili.....	53,226	92,550	66,550	17,800
Peru.....	110,840	169,061	256,107	56,011
British Honduras.....	2,052	6,072	440	.....
British Guiana.....	5,860	7,881	15,104	9,396
British West Indies.....	116,941	70,976	60,031	18,888
British North American Colonies.....	104,080	28,902	16,995	2,948
Danish West Indies.....	10,947	8,463	31,503	4,108
Dutch West Indies.....	18,369	26,638	12,143	7,117
French West Indies.....	32,618	16,020	9,104	2,332

*Exports of petroleum.—Continued.*

Destination.	1865.	1864.	1863.	1862.
	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>
To Hayti.....	13,856	7,088	12,064	4,856
Central America.....	5,494	993	453	1,764
Venezuela.....	39,794	28,583	15,455	1,094
New Granada.....	58,570	57,490	107,837	37,058
Porto Rico.....	43,355	20,026	59,439	2,244
Total.....	14,626,090	21,335,784	19,547,604	6,720,273

*Total export from the United States.*

From—	1865.	1864.	1863.	1862.
	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>
New York.....	14,626,090	21,335,784	19,547,604	6,720,273
Boston.....	1,511,173	1,696,307	2,049,431	1,071,100
Philadelphia.....	12,552,882	7,760,148	5,395,738	2,800,978
Baltimore.....	973,117	929,971	915,866	175,100
Portland.....	11,088	70,762	342,082	120,250
New Bedford.....	50,000	.....	.....	.....
Cleveland.....	81,173	80,000	.....	.....
Total gallons.....	29,805,523	31,872,972	28,250,721	10,887,701
Equal to barrels.....	745,138	796,824	706,268	272,192

*Export from New York to foreign ports from January 1, 1865, to February 12, 1866.*

To—	Feb. 9 to 12, 1866.	Previously, 1866.	Same time, 1865.
	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>
Liverpool .....	42,000	599,316	84,050
London .....		358,087	
Cork, &c. ....		497,663	
Bowling, E. ....	50,314		
Havre .....		200,507	
Marseilles .....		401,377	147,749
Antwerp .....		597,723	259,674
Bremen .....		181,022	
Cadiz and Malaga .....			4,011
Gibraltar and Malta .....		90,839	
Oporto .....		800	
Genoa and Leghorn .....		128,537	
Lisbon .....		49,665	
Constantinople .....		1,000	
China and East Indies .....		9,372	24,560
Africa .....			590
Australia .....			49,804
Sydney, N. S. W. ....			53,651
Brazil .....		112,311	17,193
Mexico .....		17,535	29,400
Cuba .....		168,295	109,800
Argentine Republic .....		17,000	9,866
Chilplatine Republic .....		39,500	1,440
Chile .....			15,000
Peru .....		3,620	54,340
British Honduras .....		610	70
British Guiana .....		1,000	894
British West Indies .....		9,606	15,902
British North American colonies .....		11,561	204
Danish West Indies .....			5,155
Dutch West Indies .....		2,757	1,002
French West Indies .....		3,876	2,438
Hayti .....		1,176	2,534
Central America .....		164	110
Venezuela .....		12,119	1,400
New Granada .....		5,367	8,356
Porto Rico .....		1,561	14,122
Total .....	92,314	3,528,966	910,384

Total export since January 1, 1866, 3,616,280 gallons.

The following is the quantity exported from other ports, January 1 to February 3:

From—	1866.	1865.
	<i>Gallons.</i>	<i>Gallons.</i>
Boston .....	167,601	84,642
Philadelphia .....	2,387,300	109,719
Baltimore .....	142,396	14,841
Portland .....		
New Bedford .....		
Cleveland .....		
Total .....	2,697,297	209,202
Total export from the United States .....	6,313,577	1,119,586

the time in 1864, 2,434,758 gallons; same time in 1863, 3,599,152 gallons. These figures are taken from the New York Shipping and Commercial List. Eagle & Blakslee estimate the shipments for 1865 of crude, refined, naphtha, respectively, as follows:

From New York to—	Crude.	Refined.	Naphtha.	Total.
.....	1,805	40,928	.....	42,733
.....	.....	1,500	.....	1,500
.....	.....	3,829	.....	3,829
.....	.....	877	.....	877
.....	.....	5,642	.....	5,642
ders.....	10,354	30,878	.....	41,232
.....	.....	315	.....	315
lt.....	.....	22,713	.....	22,713
.....	2,656	.....	.....	2,656
r, orders.....	.....	1,213	.....	1,213
.....	.....	1,633	.....	1,633
nouth.....	2,478	.....	.....	2,478
.....	1,474	8,272	.....	9,746
g.....	.....	24,602	.....	24,602
.....	12,770	2,041	.....	14,811
.....	.....	5,830	.....	5,830
l.....	4,738	26,730	7,952	39,420
.....	2,284	5,369	1,282	8,935
.....	.....	2,282	.....	2,282
.....	2,188	.....	.....	2,188
s.....	24,754	10,153	.....	34,907
.....	1,238	.....	.....	1,238
m.....	.....	7,210	.....	7,210
.....	1,180	.....	.....	1,180
.....	.....	1,340	.....	1,340
.....	.....	1,459	.....	1,459
.....	67,919	204,816	9,234	281,969

.....	67,919
l.....	204,816
a.....	9,234
Total barrels.....	281,969

From Philadelphia to—	Crude.	Refined.	Naphtha.	Total.
.....	7,692	84,253	.....	91,945
.....	.....	27,280	.....	27,280
ders.....	1,921	50,262	.....	52,183
lt.....	.....	17,800	.....	17,800
.....	3,303	.....	.....	3,303
r, orders.....	1,047	6,481	.....	7,528
.....	1,380	13,905	.....	15,285
g.....	.....	15,315	.....	15,315
.....	10,679	.....	.....	10,679
.....	.....	4,938	.....	4,938
l.....	.....	3,238	2,022	5,260
.....	.....	2,475	.....	2,475
.....	.....	1,300	.....	1,300
s.....	28,676	13,475	.....	42,151
m.....	.....	5,015	.....	5,015
.....	.....	1,679	.....	1,679
.....	54,698	247,416	2,022	304,136

Crude.....	54,698
Refined .....	247,416
Naphtha .....	2,022

Total barrels.....	304,136
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## From Boston to—

Cronstadt.....	4,622
Cork .....	5,423
London .....	2,060

Total barrels, all refined .....	12,095
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## From Baltimore to—

Liverpool .....	9,855
Rotterdam .....	1,050
Cork .....	2,850
Lisbon .....	1,400
Antwerp .....	750

Total barrels, of all kinds.....	15,905
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Refined .....	5,550
Crude and naphtha.....	9,395
	14,945

*Shipments from the four ports.*

Crude.....	122,617
Refined .....	470,887
Naphtha .....	20,611
Total barrels .....	614,115

They also report 99,200 barrels loading, and uncleared, January 1, 1866.

Several minor shipments are omitted from these estimates.

The estimate of Mr. H. Heinlein, of New York, of shipments in 1865 from the United States, is :

Crude.....	136,709
Refined .....	582,191
Naphtha .....	23,563
Residuum .....	2,708

Total barrels.....	745,171
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The stock in the yards at New York is estimated as follows for 1865:

Month.	Crude.	Refined.	Naphtha.	Residuum.
January 1.....	7,893	18,718	417	100
February 1.....	6,336	9,179	1,240	195
March 1.....	10,643	4,423	851	195
April 1.....	15,433	5,210	983	138
May 1.....	9,705	9,190	706	119
June 1.....	10,426	14,792	874	771
July 1.....	10,734	10,311	1,399	1,470
August 1.....	37,426	12,698	1,440	697
September 1.....	27,606	13,685	994	400
October 1.....	26,422	18,581	399	626
November 1.....	21,579	16,287	1,276	1,300
December 1.....	17,024	13,232	1,122	2,080
December 31.....	26,133	15,887	773	2,000

The stock in the yards at New York January 1, 1864, was:\*

Crude .....	barrels..	14,512
Refined .....	do....	61,443
Naphtha.....	do....	6,073
Tar .....	do....	676

A merchantable article of crude oil is from 47° downward to 40°. If under 40°, it is not liked for shipment as stock for illuminating oil. The quotations below are for crude from 40° to 47° Beaumé, and for refined, for light straw to white, 110° fire-test. Refined oils are divided into four grades, according to color. The first and best is known to the trade as "standard white;" the second, "prime light straw to white;" the third, "light straw to white;" and the fourth, "straw color." There is a difference in price of from half a cent to a cent on each grade. The fire-test is a measurement of the combustibility of the oil, and its liability to take fire and explode upon the approach of flame. This is determined by Tagliabue's test-instrument, which consists of two cups, one within the other—the outer for water and the inner for oil—a Fahrenheit's thermometer, and a small spirit lamp. The bulb of the thermometer comes into the small cup, which is filled with the oil to be tested; the outer cup is filled with water, and the lighted lamp is placed below. The water is heated by the lamp, and the oil, being in a water bath, is heated from the water, and the increasing temperature of the oil is indicated by the thermometer. A lighted paper is applied from time to time to the surface of the oil, and when the oil takes fire, the degree of its temperature, shown by the thermometer, is called the degree of the fire-test of the oil. When that degree is below 100 the oil is unfit for use, owing to the danger of explosion.

The commission are informed that quantities of inflammable and dangerous oil, of a good appearance, are sold to consumers in different parts of the country. They would call the attention of the public to the importance of legislation, by State and municipal authorities, prohibiting, under penalties, the sale of oil for domestic use which is not at least as good as 110° fire-test.

\* The estimated excess of stocks January 1, 1866, over January 1, 1865, were: New York and Philadelphia, loading and uncleared, crude, 19,840 barrels; refined, 79,360. Pittsburg, crude, 100,000; Oil creek, 100,000; Kentucky, crude, 5,000; New York, in yard, crude, 18,240. From which deduct, on refined in yard in New York, 2,831. Total crude, 243,080; refined, 76,529. Total equivalent in crude, 345,118 barrels.

The average prices per gallon in New York of crude, refined, and naphtha, respectively, for each of the last three years, were as follows:

Year.	Crude.	Refined, free.	Refined, in bond.	Naphtha, refined.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
1863.....	28. 13	51. 74	44. 15	28. 50
1864.....	41. 81	74. 61	65. 03	39. 54
1865.....	38. 37½	71. 87½	58. 87½	50. 37½

The following table gives the price in New York at the first of each month, and the average price per month for the calendar year 1865:

Months.	Crude.	Refined, free.	Refined, in bond.	Naphtha, refined.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
January 4.....	51½ a 52½	93½ a 94	73½ a 74	53 a 54
Average for month.....	49½	90	69½	56½
February 1.....	46 a 47	85 a 86½	66 a 67	54 a 55
Average for month.....	47½	87½	67½	53½
March 1.....	— a 43	88 a 89	67 a 68	55 a 56½
Average for month.....	36½	78½	58½	51½
April 1.....	33 a 33½	72 a 73	52 a 53	45 a 46
Average for month.....	36½	72½	52½	46½
May 3.....	38 a 39	73 a 75	53 a 55	45 a 47
Average for month.....	36½	70½	51½	48½
June 3.....	35 a —	68 a —	48 a 49	— a 50
Average for month.....	34½	70½	51½	49½
July 1.....	35 a —	— a 72	52 a 52½	— a 50
Average for month.....	33	71½	52½	49½
August 2.....	32½ a 33	71 a 72	52½ a 53	45 a —
Average for month.....	32½	71½	52½	45½
September 2.....	31½ a 32	72 a 73	54 a 54½	45 a 48
Average for month.....	36½	78	59½	48½
October 4.....	39 a —	82 a 84	63 a 64	— a 50
Average for month.....	37½	81	61½	52½
November 1.....	35½ a 36	78 a 79	59 a 60	52 a 54
Average for month.....	39½	81½	63½	53½
December 2.....	41 a 41½	88 a 90	68 a 70	52 a 53
Average for month.....	41½	85½	65½	50
Average of the year 1865.....	38. 37½	77. 87½	58. 87½	50. 37½
Average of the year 1864.....	41. 81	74. 61	65. 03	39. 54
Average of the year 1863.....	28. 13	51. 74	44. 15	28. 50

The following table shows the highest and lowest quotations for gold during each month in 1863, 1864, and 1865. In 1865, the highest figure quoted was

n January and the lowest in May. The lowest quotation in 1864 was in January and the highest in July.

Gold.	January.	February.	March.
865 .....	198 a 235	199½ a 213½	151½ a 198½
864 .....	151 a 159½	157½ a 160½	159½ a 169½
863 .....	133½ a 169½	153½ a 172½	140½ a 171½
	April.	May.	June.
865 .....	141½ a 151½	130½ a 142½	137 a 147½
864 .....	166½ a 188	168½ a 190½	189½ a 258
863 .....	146½ a 159½	143½ a 155½	140½ a 149½
	July.	August.	September.
865 .....	139½ a 145½	141½ a 145½	142½ a 144½
864 .....	230½ a 289	231½ a 261½	187½ a 254½
863 .....	123½ a 145½	122½ a 129½	127½ a 143½
	October.	November.	December.
865 .....	144½ a 146½	146½ a 148	145 a 148½
864 .....	189½ a 230½	210½ a 260½	211½ a 243½
863 .....	140½ a 156½	146½ a 154½	147½ a 152½

The following tables show the range of freights for the calendar year 1865, and the present freights, per barrel of oil, in sterling gold, from New York and Philadelphia, respectively, to the several ports named :

*Freights from New York—forty gallons.*

	Present freights.	Average range of freights for 1865.
To Liverpool .....	5s. 6d.	5s. to 6s.
London .....	6s.	5s. to 6s.
Glasgow .....	6s.	5s. to 6s.
Cronstadt .....	7s.	6s. to 9s.
Hamburg .....	5s. 3d.	4s. 9d. to 5s. 6d.
Bremen .....	5s. 6d.	4s. 9d. to 6s.
Antwerp .....	5s. 3d.	5s. to 5s. 9d.
Rotterdam .....	7s.	6s. to 8s.
Havre .....	6s.	5s. to 6s. 6d.
Bordeaux .....	7s.	5s. 6d. to 7s.
Marseilles .....	7s.	5s. 6d. to 6s.
Cork, for orders if to United Kingdom...	6s.	5s. 6d. to 6s. 6d.
Cork, for orders if to continent.....	7s.	6s. 6d. to 7s. 6d.

To the following ports oil is shipped in tin cans. Freights are paid by the foot :

	Per foot.
To Havana .....	9 cents.
Vera Cruz .....	20 "
Rio Janeiro.....	20 "
Melbourne, Australia.....	25 "



*Freights from Philadelphia—forty-two gallons.*

	Present freights.	Average range of freight for 1863.
To Liverpool .....	6s.	6s. to 6s. 6d.
London .....	6s. 3d.	5s. 6d. to 6s. 3d.
Glasgow .....	6s.	6s. to 6s. 6d.
Cronstadt .....	7s.	6s. to 9s.
Hamburg .....	6s.	5s. 6d. to 6s.
Bremen .....	6s.	5s. 6d. to 6s.
Antwerp .....	5s. 9d.	5s. to 6s. 3d.
Rotterdam .....	7s.	6s. to 8s.
Havre .....	6s. 6d.	6s. to 6s. 6d.
Bordeaux .....	7s.	6s. to 7s.
Marseilles .....	6s.	6s. to 6s. 6d.
Cork, orders if to United Kingdom .....	7s. 6d., flat.*	5s. 6d. to 6s.
Cork, orders if to continent .....	6s. 6d.	6s. to 7s. 6d.
Leghorn .....	6s. 6d.	6s. to 7s. 6d.
Genoa .....	6s. 6d.	6s. to 7s. 6d.
Naples .....	7s.	6s. 6d. to 7s.
Trieste .....	8s.	7s. to 9s.

## PROFITS OF THE TRADE.

The present prices in New York, packages included, are, for crude per gallon, 29½ to 30 cents; refined "prime light straw to white," 110° fire-test, 48 cents; naphtha, 12½ cents; residuum, \$6 to \$7 per barrel.

The price of gold is \$1 37½, and these prices are equivalent to the following prices in gold: for crude, 21½ cents; refined, 34⅞ cents; naphtha, 9⅞ cents; residuum, \$4 36 to \$5 09.

Add to these prices the freights to London, for example, which will be 3⅞ cents per gallon. Allow four cents per gallon to cover insurance, leakage, and cartage, and other charges on the other side, and we find that crude will cost the shipper in London 29 cents per American gallon. Refined will cost the shipper in London 42½ cents. Now, although the prices abroad are at present higher, it will be remembered that in July last the English producers of coal oil were selling their best refined oil at 1s. 6d. to 1s. 7d. per imperial gallon, which is equal to 1⅞ American gallons. These prices would be equivalent to 30 and 31½ cents per American gallon. The actual cost to the English manufacturer was stated at 1s. 3d. per imperial gallon, or 25 cents per American gallon. So that, the cost remaining the same, the English producer would have a margin of 17½ cents per gallon over our shipper. Allow 5 cents per gallon for the difference in quality, and his margin would still be 13½ cents per gallon. It is not probable that the cost has materially increased, as the supply of coal, labor, and money has not been subject to fluctuation. It follows that the present profits of the foreign producer must be very great, and the increasing demand for the article gives him such a certain market that he has no inducement to destroy our trade by lowering his prices; but it also follows that, if the demand should fall off greatly, we will be driven from the markets of Europe, unless there should be a reduction of the charges, expenses, and burdens on our commodity upon this side. The only advantage we have is in the finer quality of our oil, which causes it to be preferred by the better class of consumers. But if the difference in price should increase greatly, that preference will be abandoned.

\* 7s. 6d. flat means to take freight for one stated price upon orders at Cork, either to United Kingdom or the continent, at the shipper's option. To the continent, on Cork orders, means to any port from Havre to Hamburg, both included.

Let us see whether the refiner can make any profit in his business, buying the crude oil at thirty cents, and selling the refined at forty-eight. It will be remembered, that one gallon of crude will yield three-fourths of a gallon of refined, or one and one-third gallon of crude will yield one gallon of refined. The cost of the oil itself, therefore, is forty cents; the cost of refining is five cents per gallon. A number of the refiners have from three to four hundred thousand dollars invested. The depreciation of the property is great, and the risk of total loss by fire is also very great. Now will three cents per gallon difference between the bare cost and the selling price of refined pay for all this depreciation and risk, and for the use of the capital, and yield a living profit? It is evident that it will not.

Whether the dealer in the crude article can afford a further reduction in his price is the next question. The answer to that question will be found in the following account, presented to the commission by Mr. Wm. L. Lay, one of the committee of the Chamber of Commerce of Oil City, Pennsylvania, showing the cost, expenses and returns of an actual purchase of one hundred barrels, made about the 19th of January, and settled on the 7th inst. The purchase was at the Tarr farm in Venango county:

100 barrels oil, at \$4 25 each.....	\$425 00
100 barrels to contain same, at \$3 50.....	350 00
Wagon freights to Reno, at \$1 25.....	125 00
Freight by railroad to New York, at \$4 50.....	450 00
Cooperage, leakage, &c., 50 each.....	50 00
Commission $2\frac{1}{2}$ per cent.....	31 00
	<hr/>
	1,431 00
1,000 gallons sold, at 31 cents.....	1,240 00
	<hr/>
Loss.....	191 00
	<hr/>

The actual loss was \$1 91 per barrel. To have saved himself, the dealer should have bought the oil at \$2 34 per barrel. Let us see what the well-owner would make at \$2 34. First, the government tax of \$1 per barrel must be deducted. That leaves him \$1 34. Now he probably pays a royalty of one-half the oil to the owner of the land, for that is his condition in a large majority of the cases. If his well produces twenty barrels per day, which is much above the average, he has ten barrels of oil, worth to him \$13 40. His account for expenses will be about as follows, according to the testimony of many witnesses:

Interest on capital of \$4,055, for 313 working days, at 10 per cent.....	\$1 29
Repairs and oil.....	2 00
1 engineer, \$3 50; 1 laborer, \$2 50.....	6 00
$\frac{1}{2}$ ton coal, at \$16 50.....	14 44
	<hr/>
	23 73
By 10 barrels of oil, at \$1 34.....	13 40
	<hr/>
Loss.....	10 33
	<hr/>

## PRICES AND VALUES IN THE OIL REGION.

The minimum cost of a well would be about as follows :

Boring 500 feet, at \$3 50.....	\$1, 750 00
Seven sections, of 10 feet each, 5-inch iron pipe, at \$40 each.....	280 00
One eight-horse power engine.....	1, 550 00
Surface-rigging and sheds.....	300 00
Tank of capacity of 250 bbls. at 70 cents.....	175 00
<b>Total.....</b>	<b>4, 055 00</b>

The following table of prices was verified by the commission at Titusville on the 16th of November last :

Wages of common laborers, per day.....	\$2 50	to	\$3 00
“ “ “ at Pit-hole.....	3 50	to	4 00
“ mechanics at Titusville.....	4 00	to	4 50
“ “ Pit-hole.....	5 00	to	6 00
Crude petroleum in Oil creek*.....			7 00
“ “ at Pit-hole.....	4 50	to	5 00
“ “ at Titusville, barrels included.....			11 50
Refined, in bond, per gallon.....			50
“ free “.....	70	to	75
Empty barrels.....	3 25	to	3 60
Teaming from creek to Shaeffer, per barrel.....			1 00
“ “ Pit-hole “.....			3 00
“ “ Pit-hole to Titusville.....			2 50
“ “ Oil creek “.....			1 50
Coal, bituminous, per ton.....			14 00
“ anthracite, “.....			18 00
“ Blossburg, “.....			18 00
“ Snow-shoe, “.....			15 00
“ blacksmith's, “.....	14 00	to	15 00
Lumber, common, per M.....	25 00	to	30 00
“ clear, “.....	50 00	to	60 00
“ shingles.....	5 50	to	7 50
“ lath.....	5 00	to	6 00
Lime, common, per barrel.....	4 00	to	4 50
Water, lime, “.....			5 00
Plaster, calcined, “.....			6 00
Bricks, per M.....	20 00	to	25 00

\* The prices of oil have declined greatly since.

The following is a statement of prices of crude oil in the Pennsylvania oil region for the year 1865 :

*Price of crude oil.*

Date.	At Oil creek.	At Oil City.	At Pit-hole.	Date.	At Oil creek.	At Oil City.	At Pit-hole.
1865.				1865.			
January 4.....	\$9 50	\$11 00	.....	July 20.....	\$5 00	\$6 00	\$3 25
26.....	8 00	9 00	.....	27.....	5 00	6 00	3 25
February 2.....	7 50	8 50	.....	August 3.....	4 50	6 00	3 00
9.....	7 75	8 75	.....	10.....	4 50	6 00	2 75
16.....	8 00	9 00	.....	17.....	4 50	6 00	2 50
23.....	8 50	9 50	.....	24.....	4 25	5 25	2 50
March 2.....	6 50	8 00	.....	31.....	4 75	5 50	2 50
9.....	7 50	8 50	.....	September 7.....	4 50	5 50	2 50
16*.....	.....	.....	.....	14.....	5 50	6 50	3 00
24*.....	.....	.....	.....	21.....	6 00	7 00	3 00
30.....	5 00	6 00	.....	28.....	8 25	9 25	4 00
April 6.....	5 50	6 50	.....	October 5.....	9 00	9 50	5 50
13.....	6 00	7 00	.....	12.....	9 50	10 50	6 00
20.....	6 50	7 00	.....	19.....	8 50	9 50	6 00
27.....	6 50	7 00	.....	26.....	7 00	8 00	5 50
May 4.....	7 50	8 50	.....	November 9.....	7 00	8 00	4 50
11.....	8 00	9 00	.....	16.....	7 50	8 50	5 00
18.....	8 00	8 75	.....	23.....	6 00	7 00	4 00
25.....	6 00	7 00	.....	30.....	7 50	8 50	5 50
June 8.....	5 50	6 50	\$3 50	December 7.....	8 00	8 75	6 00
15.....	5 25	6 00	3 25	14.....	8 00	9 00	6 00
22.....	5 00	6 00	3 00	21.....	8 00	9 00	6 50
29.....	5 50	6 50	3 50	30.....	6 00	7 00	4 50
July 13.....	5 00	6 00	3 50				

It is in evidence that, even in November last, when prices were much higher than at present, within two miles of Titusville, more than one hundred wells had stopped, most of them on account of the government tax, being wells which would yield from five to seven barrels per day. Generally these were owned by poor men who were greatly oppressed by the tax.

LIST OF WELLS.

The following statement will give a tolerably correct idea of the number of producing and non-producing wells in the Pennsylvania oil region :

1865.—Wells in Venango county, Pa.

Owners of farms.	Wells producing.	Wells not producing.	Owners of farms.	Wells producing.	Wells not producing.
Holiday.....	1	.....	Brannon.....	4	1
Nevins.....	6	4	Shirk.....	.....	6
Moran.....	3	1	Highlands.....	.....	13
Pigaet.....	5	3	Plumer.....	5	5
Wilson.....	10	.....	Martin and Eply.....	8	8
Shaffer.....			Blakeley.....	.....	8
Ormsby.....			Hastings.....	2	1

\* No transactions—flood.

1865.—Wells in Venango county, Pa.—Continued.

Owners of farms.	Wells producing.	Wells not producing.	Owners of farms.	Wells producing.	Wells not producing.
Harmon .....	6	7	Tar, "Cherry Tree" .....		2
Hoover .....	15	15	Ward .....		3
Porter .....	1	4	Boyd .....		3
Hoover .....	1	4	Brown .....		1
Bissell and Stewart .....		2	Sully .....	1	1
Fuller .....		7	Black .....		2
Milton .....		2	Dempsey .....	2	6
Neely .....		2	Barney .....	1	4
Plowman .....		3	Pierson .....		2
Hough .....	6		John McClintock .....	27	17
Hays .....	3	6	Knapp .....	4	24
Farrand .....	6	9	Centre Oil Co. ....	21	6
Moran .....	2	1	Smith .....	20	23
Lee .....	3	8	Cherry Rum Pet. Co. ....		22
Bastian .....	3	6	McFait .....		21
Downing .....		6	McCalmont .....		9
Graff and Hasson .....	2	28	A. C. Prather .....		13
Plumer Tract .....	29	77	Ricketts .....		7
Cornplanter .....	10	60	Stowell .....	1	1
H. McClintock .....	20	80	Nevins .....	1	8
Buchanan .....	21	138	McCormick .....	3	4
John McClintock .....	32	53	Dubbs .....	1	5
Widow McClintock .....	15	58	Brown .....		3
Rynd .....	12	49	McElrath .....	5	2
Blood .....	15	60	Brown .....	4	5
Tarr .....	26	63	Roberts .....	1	7
Story .....	60	62	Hays .....		2
Hays .....	2	19	Blakely .....	2	3
Egbert and Hyde .....	18	42	Russel .....	1	2
G. W. McClintock .....	33	40	Homan .....	4	1
McCrea .....		6	McCalmont .....	1	1
Boyd .....	1	15	Graff Hasson .....	3	1
McElhenry "Lower" .....	14	65	Clapp .....		1
Bennehoff .....	8	10	Alcorn .....	2	2
Espey .....	2	5	Downing .....	2	5
McElhenry "Upper" .....	11	47	Eaker .....	1	2
Colwell .....	4	5	Ivens .....	1	2
Foster .....		50	Carey .....	3	1
Farrell .....	1	12	Lamb .....	4	6
Beaty .....	2	8	Renvaf .....	2	18
Gregg .....		40	Bleakley .....	1	6
Saney .....		14	Nellis .....		3
Shaffer .....		12	Crotzer .....	7	6
Miller .....		14	Delvro .....		3
Fleming .....		10	Dotson .....		3
Jones .....		15	Crotzer .....	2	8
Stackpole .....		20	Tolles .....	2	9
Bissell & Co .....		2	Converse .....		12
Conley .....		6	Kinsler .....	1	6
Griffen .....	3	3	McMahon .....	1	10
Bissell & Co .....	6	18	Bruner .....		17
Watson Petroleum Co. ....		4	Walnut Island .....	4	6
Kingsland .....	1	10	Anderson .....	4	14
Watson flats .....	6	54	Hydrick .....	1	19
Parker .....	12	24	Clark .....		4
Watson .....	2	18	Stein .....	5	14
Gile .....		18	Turner .....		7
Brewer .....		1	Vose .....	1	6
Patterson .....	3	3	Ogden .....	2	2
Warner, Stevenson .....	15	3	Irwin .....		2
Wild-cat Hollow .....	4	18	Stewart .....		4

1865.—*Wells in Venango county, Pa.*—Continued.

Wells of farms.	Wells producing.	Wells not producing.	Owners of farms.	Wells producing.	Wells not producing.
r .....	3	4	Woods .....		13
nt Oil Co. ....		5	Ricketts .....		7
ry island .....	1	3	Woods .....		9
.....		1	Woods & Co. ....		9
w .....		6	Blackmer..... Pit-hole..		20
sick .....		1	Rooker, " ..	7	16
.....	2	5	Holmden, " ..	17	115
der .....	2	2	Hyner, " ..	7	9
of Pit-hole creek ..		2	Copeland, " ..	8	62
.....		3	McKinley, " ..	5	
t .....	4	8	Ball, " ..		17
Walnut island.....	1		Dawson, " ..	1	13
Tract.....		3	Blauk, " ..		3
.....	1	10	Hanworth, " ..		13
.....	1	2	McCaslon, " ..		8
.....	2	7	Stewart, " ..		4
n .....	6	2	Conley, " ..		10
.....	1	2	Siggins, " ..		3
n .....	14	5	Pratt, " ..		3
.....	5	5	Van Wyck, " ..		2
.....	6	4	Widow Holmden " ..		2
.....	1	10	Lyon, " ..		3
.....		15	Dale .....	1	1
mont. ....		1	Hays .....		4
ong .....		8	Bowman .....		2
.....		6	Longwell .....	1	3
tsen .....		11	Sutley .....	4	13
a .....	3	7	Hoge island .....	2	2
.....		15	Saverly .....	4	1
.....	2	2			
.....		3		741	5,328
l .....		3			

## EFFECT ON PRODUCTION OF THE TAX ON CRUDE.

The total number of farms on the list is 197. The total number of wells is 1,977. The number of wells not producing is 2,328, and of these at least one or 465, would yield on the average, if worked, five barrels each per day.\* This would be an addition of 2,325 barrels per day to the present production. This additional product, adopting the ratio of Mr. Summer, Mr. Frew, and witnesses, there would be made for home consumption, paying government \$8 per barrel, 465 barrels per day of refined. The additional revenue added, to offset the loss of the revenue from crude, would be \$3,720 per day, or the year of 313 working days, \$1,164,360. It is also certain, that if present tax on crude were abolished many more wells would be sunk on dry from which a small but remunerating product could be obtained. The prospect of good luck ahead—which with the desire to keep on pumping small amounts at a loss—would further stimulate development. The permanent pro-

The superintendent of the A. Buchanan farm reports the following as the yield per day, of certain wells on that farm, "shut down" on account of not being able to pay expenses and the government tax: Cherry Run well, five to eight barrels; Welch, six barrels; Truax, six barrels; Dearborn, six barrels; Taylor & Rockwell, six barrels; Hy, six barrels; Bonville, five barrels; Allen & Hibbard, six barrels; Utica, six barrels; Bull Head, five barrels; and the Ricketts well, four barrels.

duction of the country must eventually be obtained from pumping-wells yielding but a few barrels per day, and legislating these small wells out of existence, besides the wrong and injury to their owners, has a direct tendency to destroy the entire oil production of the country, one of the largest and most important branches of its industry.

The commission have the reported production of each of the one hundred and ninety-seven farms. This reported production, in their opinion, is from one quarter to one third in excess of the actual steady production. But taking the reported production to be the actual production, the following statement is approximately correct. Of the one hundred and ninety-seven farms, only sixty-one produce daily over twenty barrels each. Of these farms, six are on Pit-hole creek, and the average daily production of the producing wells upon them is one hundred and forty barrels each.

Upon the remaining fifty-five of the sixty-one farms there are five hundred and seventy-one producing wells, and the average yield for each well is sixteen and two-thirds barrels per day.

If it be true that a twenty-barrel well worked upon a royalty entails a loss on the owner of ten dollars per day, it is evident that the oil-producing business, as a whole, is a losing business, and no further argument is needed to prove the necessity of the immediate abolition of the tax upon crude.

It may be stated, however, as the unanimous opinion of the commission, that of all taxes, the most just and the least obnoxious are those laid equally upon accumulations of capital, and the most unjust and most obnoxious those which trammel and burden the processes of production, or tend to increase to the poorer classes the expenses of living. In both of these respects the duties on oil are objectionable, and therefore, while the commission have proposed no immediate reduction of the tax on refined oil, they have expressed the opinion, in their general report, that hereafter that tax should also be reduced.\*

#### NUMBER OF REFINERIES AND THEIR PRODUCTION.

The following table will show approximately the number of refineries at the leading places of manufacture in the United States, working petroleum, and from official sources the amount of tax paid on refined, and the number of barrels manufactured in each State, and paying duty during the six months from June 30, 1865, to January 1, 1866. It is probable that a number of refineries have not been included, but the list is believed to be almost complete.

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\*The tax on crude as now levied, without a drawback, is a direct discrimination against our own oil in the foreign markets, amounting, leakage and interest considered, to three cents per gallon on refined.

State.	Places.	Number of refineries.	Duties paid on refined.	No. of gallons of refined paying duty.
.....	.....	1	\$212 50	1,062
etts. ....	Boston .....	6 }	166,623 28	1,333,116
.....	New Bedford .....	3 }	7,791 80	7,563
nd. ....	.....	1	543 90	2,719
it. ....	.....	1		
.....	New York, &c. ....	25 }	634,425 91	3,172,129
.....	Albany .....	5 }		
.....	Buffalo .....	10 }		
.....	Elsewhere .....	6 }		
y .....	.....		146,171 26	730,806
nia. ....	Oil region .....	30 }	679,488 71	3,397,443
.....	Erie .....	10 }		
.....	Pittsburg .....	40 }		
.....	Cleveland .....	20 }	954,131 28	4,270,656
.....	Elsewhere .....	6 }		
.....	.....	1	749 84	3,749
.....	.....	1	586 55	2,932
.....	.....	1	972 10	4,860
.....	Baltimore .....	2	58,467 32	292,336
inia. ....	Parkersburg .....	10	33,882 56	169,412
.....	.....	1	231 10	1,155
.....	.....	6	37,680 60	188,403
.....	.....	6	71,229 06	356,145
.....	.....	1	654 00	3,270
.....	.....	1	182 00	910
.....	Total .....	194	2,794,023 77	13,970,062

## GENERAL VIEW OF THE TRADE.

important to ascertain, if possible, the amounts of petroleum that have been marketed heretofore, and in what shape, and where they have been consumed. This is a question very difficult of solution, and any results obtained are taken as only approximate. The difficulty is increased from peculiar circumstances, among which are the remoteness of the oil region, the constant fluctuations resulting from speculation there, on the one hand, and the disinfluence of a new and onerous excise system on the other. The business is so new, and the data are so imperfect, that we will not attempt to follow the inquiry further back than 1864. The following statement for the years 1862 and 1863 may, however, be useful:

Time.	Collections on refined petroleum.	Rate of tax per gallon.	Collections on coal oil.	Rate of tax per gallon.
1, 1862, to January 1, 1863 .....	\$237,389 33	Cts. 10	\$2,507 14	Cts. 8
1863, to July 1, 1863 .....	406,237 50	10	3,828 12	8
1863, to January 1, 1864. ....	773,038 71	10	23,432 50	8



Reducing the gallons paid on to barrels, and allowing 100 gallons crude every 75 gallons refined, and we have for the petroleum used in the manufacture of refined, consumed at home—

Time.	Barrels,
From September 1, 1862, to January 1, 1863.....	51
January 1, 1863, to July 1, 1863 .....	10
July 1, 1863, to January 1, 1864 .....	19

The exports for the year 1862 were 272,192 barrels, mostly crude. 1863 there were 706,268 barrels, of which, perhaps, forty per cent. was

Since January 1, 1864, the collections from refined coal oil have been the first half year, \$30,323 10; for the second, \$38,804 03; for the \$57,194 87. For the last half year the returns on coal oil are not at hand

The following table shows the internal duties on refined petroleum and the since January 1, 1864, with the number of barrels of refined paid on the number of barrels of crude used in its manufacture.

Time.	Tax collected.	Barrels refined.	Barrels used
January 1, 1864, to July 1, 1864.....	\$1,428,534 49	357,133	47
July 1, 1864, to January 1, 1865.....	1,078,918 82	269,729	35
January 1, 1865, to July 1, 1865.....	1,872,295 05	312,049	41
July 1, 1865, to January 1, 1866.....	2,794,023 77	349,253	46

For 1864, number of barrels refined.....	626
1864, " " crude used.....	835
1865, " " refined.....	661
1865, " " crude used.....	881

For omissions in collections allow ten per cent. in addition, which is justified by our information, and we have for the amount of refined, manufactured, and consumed in the United States—

For 1864.....	689,548 barrels
1865.....	727,432 barrels

The amount of crude used in the manufacture of this refined was—

For 1864.....	919,396 barrels
1865.....	969,912 barrels

The exports of 1864 were, of crude and refined together, 796,824 barrels. The proportions of each, as estimated by parties in the trade, were, of refined 71 per cent., of crude 29 per cent. We have, therefore, of crude 231,079 barrels, and of refined 565,745 barrels, in the manufacture of which there used 754,326 barrels of crude. We have thus obtained for 1864 :

Refined consumed at home.....	Bar
Refined shipped (free of tax).....	689
	565
Total of refined.....	1,255
We have of crude, for 1864 :	
Converted into refined.....	1,673
Shipped.....	231
Total.....	1,904

Add to this for crude wasted en route, and consumed in the country, the amount of the crude shipped, which accords with the estimates of well-informed parties, 231,079 barrels, and we have the following figures :

	Approx. value.
Refined, 1,255,293 barrels.....	\$32,638,873
Added duties paid.....	2,507,453
Total value.....	<u>35,146,326</u>
Crude, 462,158 barrels.....	<u>\$7,729,130</u>

The total value of crude and refined was \$42,875,456. The value of that exported, crude and refined, was \$18,574,499. These values are obtained by taking the average price of crude and the average price of free refined in New York for the year.

The total of crude oil thus accounted for, for the year, is 2,135,880 barrels, being a daily product for 313 working days of 6,823 barrels. No allowance is made for the increase of stock on hand, of which we have no reliable estimate.

The following is an approximate statement of the oil transported from the Pennsylvania oil region by three routes, in 1864, of which part was refined :

	Barrels.
By Atlantic and Great Western railway.....	775,000
By Oil Creek and Philadelphia and Erie railway.....	300,000
By Alleghany river to Pittsburg.....	500,000
	<u>1,475,000</u>

For 1865 we have, as above :

Refined, consumed in United States.....	727,434
Crude, converted into said refined.....	969,912

The proportions of the different products exported, excepting residuum, are as follows :

According to Mr. Heinlein, crude, 18.41 per cent.; refined, 78.41 per cent.; naphtha, 3.18 per cent. According to Messrs. Eagle & Blakslee, crude, 19.97 per cent.; refined, 76.68 per cent.; naphtha, 3.35 per cent.

The average of the two is : crude, 19.19; refined, 77.54; and naphtha, 3.26; in round figures, crude, 19 per cent.; refined, 78 per cent.; residuum, 3 per cent.

For this calculation we take Mr. Heinlein's figures, which are fuller, but not materially different from, and are confirmed by, those of Messrs. Eagle & Blakslee.

The exports for 1865, leaving out residuum and naphtha, were of crude, 6,709 barrels; of refined, 582,191 barrels, in the manufacture of which there were used 776,255 barrels of crude.

We have thus, for 1865 :

	Barrels.
Refined, consumed.....	727,434
Refined, exported.....	582,191
Total.....	<u>1,309,625</u>

We have of crude :		Barrels.
Converted into refined.....	1,746,167	
Shipped.....	136,709	
Wasted en route, and used, say.....	117,000	
Excess of stocks remaining, say.....	345,000	
Total.....	2,344,876	

The amount of the products and their values is as follows :

	Barrels.	Value.
Refined.....	1,309,625	\$30,841,668
	Duties paid.....	2,794,023
		33,635,691
Crude.....	598,709	9,280,183
Naphtha.....	23,563	474,794
Residuum.....	2,708	18,966
Total of values.....		43,409,634

The value of the oil and oil products exported was \$14,149,348.

The total of crude oil thus accounted for, for the year, is 2,344,876 barrels, being a daily product of 7,491 barrels.

The following is an approximate statement of the number of barrels of oil refined, included, transported from the Pennsylvania oil regions in 1865 :

	Barrels.
By Atlantic and Great Western railroad.....	750,000
By Oil Creek and Pennsylvania and Eastern railroad, estimated...	400,000
By Alleghany river.....	689,000
	1,839,000

Add three gallons per barrel for increased size of barrels, owing in part to the forty-five-gallon limitation in the law, and we have for the number of barrels of forty gallons each—

	Barrels.
Transported by three routes.....	1,976,925
Excess of stocks in oil regions.....	105,000
Total.....	2,081,925

This estimate does not include the consumption for the year in the oil region.

The commission have been furnished by the Hon E. A. Rollins, Commissioner of Internal Revenue, with the following interesting table, showing the collections on account of the excise duty upon crude oil, of one dollar per barrel, by congressional districts, and for each of the six months from June 30, 1865, to January 1, 1866. The aggregate of collections for the six months is \$1,046,914. The increase from month to month, with other information, shows that the tax was not fully collected. We will assume the proportion escaping taxation to be fifteen per cent. Our information warrants the inference that the proportion was greater. Add fifteen per cent., 157,037 barrels, to the 1,046,914 barrels paying the tax, and three gallons per barrel for excess over forty

gallons, and we have for six months 1,294,247 barrels, or an average production per day of 8,270 barrels. Allow the same daily average for May and June, and we have 431,415 barrels as the product of those months. For the preceding four months we take the average between the daily production of 1864 of 6,823 barrels, and the estimated daily yield immediately before the discoveries in Pit-hole creek, 4,000 barrels per day. That average is 5,411, and gives as the production from January 1 to May 1, 1865, an aggregate of 564,547 barrels. The total production thus obtained for the year 1865 will be 2,290,209 barrels. The mean between that sum and the sum obtained by the first process, 2,317,542 the commission adopt as their estimate.

## PRESENT DAILY PRODUCTION OF PETROLEUM.

The average number of barrels paid on for the months of November and December, with the fifteen per cent. added, gives a daily production of 10,064 barrels. If we add 19.36 per cent. for the amount consumed as fuel, waste at the wells, and loss by evaporation, the present yield may be stated approximately at 12,000 barrels per day, which agrees with the opinion of most of the judicious observers who have reported to the commission the results of observations made on the ground. The tax has been paid on a few barrels in Missouri and California. The table also confirms the statements respecting the small yield in West Virginia and Kentucky. These data warrant the following estimate:

States.	Barrels.
Pennsylvania.....	11, 415
Ohio.....	200
West Virginia.....	200
Kentucky.....	150
Total.....	<u>12, 000</u>

The commission have been at a loss to obtain reliable data from West Virginia and Kentucky, and have been necessarily governed by the amount of tax collected. They have information of about 5,000 barrels of crude in the tanks in Kentucky, which they have also taken into the account. Their conclusion agrees with the estimates of the largest and best informed of the Pittsburgh refiners. They, however, think it not improbable that a very large increase of production may take place in these two States.

*Statement of the collections on crude petroleum, by collection districts, for the six months ending December 31, 1865.*

Districts.	States.	July.	August.	September.	October.	November.	December.	Total.
19th .....	Pennsylvania .....	.....	\$2,536 50	\$2,498 00	.....	\$4,227 25	\$1,490 00	\$10,751 75
23th .....	do .....	\$31,345 55	160,313 88	151,209 31	\$175,511 67	227,996 50	207,147 05	1 003,522 96
23d .....	do .....	28 00	.....	.....	10 00	16 00	602 00	656 00
24th .....	do .....	.....	1,107 50	1,524 54	984 33	428 50	1,151 29	5,196 16
14th .....	Ohio .....	21 00	.....	.....	.....	.....	.....	21 00
15th .....	do .....	475 11	1,502 00	724 80	2,241 75	1,733 25	1,988 00	8,664 91
16th .....	do .....	22 50	.....	146 00	.....	201 00	760 00	1,129 50
17th .....	do .....	.....	.....	.....	.....	282 00	36 00	318 00
19th .....	do .....	27 00	172 20	101 00	.....	114 50	198 00	542 70
1st .....	West Virginia .....	1,004 00	.....	.....	1,739 00	5,546 00	3,944 00	12,233 00
2d .....	do .....	.....	.....	.....	.....	954 00	473 00	1,427 00
2d .....	Kentucky .....	.....	.....	827 00	1,273 00	305 60	.....	2,405 00
1st .....	Missouri .....	.....	.....	.....	6 00	.....	.....	6 00
2d .....	California .....	.....	.....	.....	.....	.....	10 00	10 00
5th .....	do .....	.....	.....	.....	.....	30 50	.....	30 50
Total .....	.....	82,923 16	165,032 06	157,030 65	181,765 75	241,838 50	217,729 34	1,046,914 48

## FUTURE SUPPLY.

would Congress repeal the duty upon crude petroleum, the production will ably be increased as hereinbefore estimated. How long the present production will continue, is purely matter of surmise; but, from present appearances, and considering the permanent character of the wells in Asia, it is reasonable to suppose that it will always be sufficient for the wants of country.

would it, however, come to an end, an ample and permanent supply of oil be obtained, but at higher prices, from the shales and rich bituminous coals which are found in almost all parts of the United States, and in the greatest abundance.

Without going into the details of the calculation, the commission give it as opinion that the consumption of refined petroleum will increase rapidly in United States, particularly in the southern States; and that if the duty on crude should be abolished, the revenue from refined, at twenty cents per gallon, may be expected to amount to six millions of dollars per annum.

The commission decline to recommend any change in the duty upon naphtha, and present advised, as difficulties in collection of the tax, and fraudulent impositions, might result from different duties upon that article and upon illuminating oil.

They submit herewith the form of a bill, in accordance with the recommendation made by them in the foregoing report.

Respectfully submitted by order of and for the United States Revenue Commission.

S. S. HAYES,  
*Chairman Special Committee.*

Wm. HUGH McCULLOCH,  
*Secretary of the Treasury.*

## SPECIAL REPORT No 8.

*Report on proprietary and other medicines, perfumery, playing-cards, &c., (see Schedule C,) as sources of national revenue.*

TREASURY DEPARTMENT,  
*Office of the United States Revenue Commission, February, 1866.*

RE: In relation to the above subjects, and their connexion with other portions of the revenue law, the commission recommend the following changes and additions, and submit, in connexion with each change, the reasons for such recommendation:

1. Paragraph "thirty-one" of section 79 of the present law, wherein manufacturers are defined, the commission recommend the addition of the following proviso:

*Provided, That apothecaries who manufacture, for their own dispensation and to consumers and to physicians, the medicines compounded according to the United States or other national pharmacopœias, or of which the full and correct formula is published in any of the dispensaries now or hitherto in com-*

mon use among physicians or apothecaries, or in any pharmaceutical journal now issued by any incorporated college of pharmacy, shall not be regarded as manufacturers under this act. But apothecaries and all other persons who manufacture for the dispensing and sales of others, or who make and advertise any article, medicinal or otherwise, simple or compound, with any special proprietary claim to merit, or to special advantage in use or effect, whether such claim be based on the properties, qualities, price, or any other distinctive or distinguishing characteristic, whether real or pretended, of the articles so made and advertised, whether such article be or be not made according to the authorities above cited in this proviso, the maker or makers thereof shall be regarded as manufacturers under this act."

The reasons for this proviso are, that, as a security for the character of medicines, and in order to fix the responsibility of the sale and use of dangerous medicines which affect health and life, and the dispensing of which not unfrequently involves criminal proceedings in law, as near as possible to the act or effect produced by their dispensing and sale, it has long been the effort of the medical profession, through their pharmacopœias and dispensaries, to cause apothecaries to make for their own dispensing and sale all the medicines in established use by the certain authorized and prescribed formulas furnished to them for the purpose in the authorities cited; and, therefore, the making or compounding of such medicines is a part of their duties as apothecaries, and embraced in their license as such. Hence it becomes burdensome beyond the intent of the law to require two licenses to cover a single legitimate occupation which cannot be divided without disadvantage. Beside, the preparations or medicines so made are, in aggregate value of materials involved, comparatively small in proportion to the other operations contemplated in the application of this license, and are not strictly manufactures unless they become the objects of common trade, to be made and sold in the large way as objects of proprietary individual enterprise, production, and sale. They then become, in common with other articles of trade, legitimately manufactures, and should be licensed as such. For example, cod-liver oil and laudanum are officinal medicines in the United States pharmacopœia, and when made by the apothecary as the adjunct of the physician, for his own sales to consumers, as is not unfrequently the case, their preparation constitutes a portion of his proper and required duties as an apothecary; and, as an apothecary, he is licensed to perform them with that educated skill which constitutes his art or profession, and by arbitrary rules which he is obliged to follow, and which it is but right and just that he should closely follow, in view of his responsibility for the benefits or the criminal misapplication that may ensue. Now, because these duties, properly constituting the art of the apothecary, and licensed as such, happen to come within the definition of manufactures, they should only be taxed or licensed as such when not otherwise taxed or licensed.

But if mercantile enterprise, and the desire for pecuniary gain tempt an individual or association, though they be licensed as apothecaries, to go where codfish are largely caught, and there, by a proper apparatus, prepare on a large scale, as a special business or even as a part of the business of an apothecary, this cod-liver oil, and advertise it as a commercial article, with a view to bringing it into general use as his or their peculiar cod-liver oil, and thus tend by property, quality, price, or otherwise, to substitute or supplant the small maker, bringing capital, position, and scale of operations to compete against the small maker, and tending to monopoly, and to prescriptive and proprietary use and advantage, then he or they should take out the manufacturer's license even in addition to the apothecary's license, when the manufacture is in addition to the apothecary's functions.

paragraph "thirty-three" of section 79 of the present law, wherein apothecaries are licensed and defined, the commission recommends the addition of the word, after the final word "alcohol," in the last line of the paragraph:

of dispensing, upon physicians' prescriptions, the wines and spirits of the United States and other national pharmacopœias, either simple or compounded, in quantities not exceeding half a pint of either at any one time, nor in aggregate cost value the sum of three hundred dollars per annum." The reason for this addition is that now an apothecary is unjustly obliged to obtain a retail liquor dealer's license to enable him to sell, no matter upon emergency, the wines and spirits which the national pharmacopœia obliges him to keep pure and ready at all times, night and day, for medical use as remedies for diseases and injuries, and as an important part of the legitimate materia medica.

Under the present action of the law in regard to apothecaries; the retail liquor dealer's license is altogether disproportionate to the amount of the business he is required to do under it, and it is therefore burdensome beyond the intention of the law. For example, his license as an apothecary covers his business except this very small part, and costs ten dollars, while the retail liquor dealer's license necessary to enable him to do a very small portion of his business as an apothecary costs him twenty-five dollars. A proviso to this in effect is recommended in that paragraph of the draught of a law by the commission in relation to distilled spirits, which licenses and authorizes a retail liquor dealer, and a reference from that proviso is made to this extension of the reasons for it. In case of the adoption of this proviso as a part of an act relative to distilled spirits, its addition as an amendment to paragraph thirty-three, section 79, would be unnecessary.

The commission recommend that the latter portion of section 165 of the present law, which enacts a penalty for omitting to stamp the articles of Schedule A, be changed and amended in its proviso of exemptions as follows, commencing with the word "provided," in the eleventh line of the section:

*Provided,* That nothing in this act contained shall apply to any uncombined medicinal drug or chemical, nor to any medicine compounded according to the United States or other national pharmacopœia, or of which the full official formula is published in any of the dispensatories now or hitherto in common use among physicians or apothecaries, or in any pharmaceutical book now issued by any incorporated college of pharmacy, and not sold or offered for sale, or advertised under any other name, form, or guise than that under which they may be severally denominated and laid down in said pharmacopœias, dispensatories, or journals as aforesaid; nor to medicines sold to, or used by any person, which may be mixed and compounded for said person in accordance with the written receipt or prescription of any physician or surgeon. Nothing in this proviso shall be construed to exempt from stamp duty any medicinal articles, whether simple or compounded by any rule, author, or formula, published or unpublished, which are put up in a style or manner similar to that of patent or proprietary medicines in general, and advertised in newspapers or by public handbills for popular sale and use, as having any proprietary claim to merit, or to any peculiar advantage in mode of preparation, or in action, quality, quantity, price, use, or effect, whether such claim be real or pretended."

The reasons for these changes and additions are as follows: The words "any dispensatories, now or hitherto in common use," are used in order to prevent publication in future of new dispensatories for the purpose of evading the law. The words "formularies and text-books in common use among physicians and apothecaries, including homœopathic and eclectic," are avoided, because formularies and text-books may be found which contain either the real or pretended formulas of preparations, which it is the legitimate object of the law



to tax by stamps, and which really belong to Schedule C. The words "homoeopathic and eclectic" are left out, first, because physicians and apothecaries being specified in the aggregate, include all modern sects or schools, each of which has, in the eyes of the law, equal rights with the older schools of practice. Then, as the greater always includes the less, the words "physicians and apothecaries" can only mean, in the intent of this law, *all* physicians and apothecaries, and *all* their pharmacopoeias and dispensaries without any distinction, and yet the exemption as recommended narrows the chances of successful evasion.

The last paragraph of the amended proviso is specially intended to avoid evasions of the intent and equal operation of the law under an indirect advantage which has been taken of the first paragraph, whereby articles are exempted which it was not the intention of the law to exempt from stamp duty, and from which stamp revenue may justly be raised. A good illustration of the bearing of this paragraph—an illustration wherein the paragraph will be as hard and as burdensome in its application as in any known instance—may be found in cod-liver oil. This oil was some years ago proposed as a remedy useful in retarding the progress of consumption, and was soon found to exercise a beneficial medicinal effect in many cases of that disease, and consequently it was admitted into all the pharmacopoeias, and was described and commented upon in the dispensaries, and came into extensive medical use. The prevalence and intractable nature of the disease in which this substance is used, and its increasing importance in the legitimate *materia medica*, soon stimulated mercantile enterprise to manufacture it on the large scale to supply an increasing demand, and to gain the advantage of its high price and large profits. Thus far it was a true and legitimate process of manufacture, and should be licensed and taxed as such only; and thousands of gallons of it are made and sold annually, which can only be justly taxed as a legitimate manufacture, although it may be distinguished and sold in trade as the make of A, B, or C, and although B's oil may be more highly prized than the others, and command a higher price. But after this point in the commercial history of this article has been reached, the desire for larger profits further induces enterprising merchants to take B's oil and put it up in bottles, made as showy as will well comport with the main object, namely, profits, and which bottles will contain as little as possible for their apparent size, and exhibit the oil in a thin stratum, merely to improve its appearance. To these qualities, real and apparent, an attractive label is next added, and the whole designated as X and Y's celebrated cod-liver oil for the *cure* of consumption, sold only by so-and-so, and at such-and-such agencies. Even thus far a very liberal construction of the present and the proposed law would, and perhaps should, regard it as a legitimate manufacture to be licensed and taxed under sections 79 and 94. But now comes the agency which is held sufficient to remove it from the scope of section 94, and place it under section 165, and within the legitimate application of Schedule C. Thus put up like a proprietary medicine, and called by a proprietor's name, and set forth as a cure for consumption, to fit it for popular rather than for professional use, it only needs a market large enough to yield the indispensable profits for which the enterprise was undertaken. The field of professional or scientific application is not large enough. Beside, the getting up is not addressed to those found within this field. The masses of the people must be reached, including all who have consumption, all who think they have it, all who fear they are getting it, and all who fear they may get it. This field is large enough, and easily got at only in one way, namely, by the profuse use of capital invested in popular advertisements and placards. The expense is great; far out of proportion to the material involved, for while the bottle, label, wrapping, &c., usually exceed the cost of the oil, the advertising exceeds all these in an enormous ratio, at least until the market is made. The market once made, however, the profits are enor-

mous; quite proportionate to the skill, enterprise, and capital involved, and quite sufficient to afford a stamp duty, rather than a manufacturer's tax. And if the stamp duty be not imposed in such cases, it is an unfair discrimination against the interest of the articles enumerated in Schedule C. When a medicinal article is put up in a uniform manner, and is styled B's or C's compound or simple, and is popularly advertised in any of the usual forms, by newspapers or by handbills, as B's or C's peculiar product, as a remedy for disease, it is clearly no longer an article of simple manufacture, which is entitled to the protection of a moderate tax, but is strictly a proprietary medicine.

But if an apothecary, for convenience of dispensing, puts up any article of the pharmacopœia or dispensaries by the authorized name, and simply with directions for use, and his own name as the maker and vender thereof, and without advertising it for popular use in the newspapers, or by handbills or placards, and without claiming that he has any individual right to it, or that it will cure any disease or diseases if taken, it is not the intention of the above proviso to render such article subject to stamp duty. For example, boxes, packages, bottles, &c., of whatever kind or uniformity, no matter how put up, if simply labelled "The celebrated cod-liver oil, carefully prepared by B & Co., from the livers of freshly-caught codfish only, carefully put up so as to keep free from rancidity in any climate, and be found always acceptable to the most delicate stomachs. For use in affections of the chest; dose, a table-spoonful three times a day." Or, for another example, if the apothecary, X, puts up little boxes of cough lozenges, and labels them "Wistar's cough lozenges, for the cure of coughs, colds, &c.; Dose, one lozenge, to be taken occasionally when the cough is troublesome; prepared and sold by X, No. 20, — street."

Now, provided B & Co. and X show to the assessor that cod-liver oil and Wistar's cough lozenges, as they sell them, are, the one the official article, and the other the article long known, used, and described in the dispensaries, &c., as such; and provided they be not advertised in newspapers or by handbills as nostrums, then they should not be subjected to stamps as the articles of Schedule C are.

The commission would refer, in this connexion, to the main provisions of the British "patent-medicine act," which may be considered as the gradually attained result of some twenty years' experience in revenue legislation in respect to this subject in Great Britain. These provisions are substantially as follows:

"1. No medicine is liable (to stamp duty) if it be a simple uncompounded drug. The acts imposing the stamp duty apply only to compounded or prepared medicines.

"2. Secret medicines or nostrums sold as such are liable to the duty.

"3. Medicines that are represented to be prepared exclusively by the person whose name they bear are liable.

"4. Any medicine that is recommended on the label, or on a handbill, or by public advertisement, as a remedy for the cure or relief of any disease, is liable."

A recent (British) authority, in commenting upon the provisions of this act, thus states its recognized and practical interpretation:

"The (British) law is interpreted leniently with regard to ordinary domestic remedies, such as anti-bilious pills, cough pills, aperient pills, stomachic powder, essence of ginger, &c., which are sold by chemists without any pretensions to exclusive right or mystery in the preparation. But if the words 'prepared only by A B' be used, then A B is liable as the maker of a nostrum exclusively prepared by himself. Even if the formula or mode of preparation be publicly known, and the original maker or inventor state that the genuine article is prepared only by himself, all others being spurious, he is liable as a person claiming superiority over all others. Such preparations as *liquor opii sedativus*, *liquor*

*terazaci, liquor sennæ, &c.*, although each maker may profess superior skill in the manipulation, are not liable, because these medicines are not sold as nostrums for any specific purpose, but are comprised among the preparations ordinarily prescribed by medical men, and used in dispensing establishments. But if such medicines, or even preparations of the pharmacopœia, be sold with labels or directions recommending them for any particular disorder, they come within the fourth condition above named, and are therefore liable. This condition has given rise to a variety of questions and attempts at evasion, but the only qualification allowed is the following: It is granted to be a matter of necessity that every medicine shall be so designated that it shall be distinguishable from other medicines. For example, the words 'cough pills,' 'antibilious pills,' &c., may be used to identify the pills; but the words 'pills for a cough' or 'pills for bilious complaints,' &c., make them liable, because the license, to use such expression, would open the door to an extensive evasion of the act."

In order to avoid evasions, it appears to the commission to be necessary to draw the lines of distinction very finely and very closely to enable the letter of the law clearly to define its purpose and intention, and further experience may yet be required to insure a just and equal operation.

The commission recommend that Schedule C, under the head of "medicines or preparations," be changed and amended, by inserting near the end of the first paragraph, after the words "retail price or value," the words "*as fixed by the maker of the article, the sum of ten cents, one cent; and for every additional ten cents or fractional part thereof, the sum of one cent additional;*" and by omitting all under this head, after the words "retail price or value" in the first paragraph.

This recommendation would increase the general stamp duty, upon this head of Schedule C, to ten per cent., and upon articles which retail at twenty-five and seventy-five cents to twelve and eleven per cent., and the reasons for it are as follows:

In the original law the manufacturers' tax was three per cent. upon the net sales, and the stamp duty on Schedule C four per cent. on the retail price. This is believed to have been intended as a just and proper discrimination in favor of legitimate manufacture in pharmacy. At subsequent revisions of the law, the manufacturers' tax was raised first to five per cent., and then to six per cent., while the stamp duties remained unchanged. The effect of this legislation was a very important discrimination against manufacturing pharmacy, and a reversing of the original intent and effect of the law, which is believed to have been unintentional, as it was certainly unjust toward legitimate pharmacy. Hence, it is now proposed to restore and increase this original discrimination. The present stamp duty applies very unequally to a class of proprietary medicines and perfumery, the retail price of which is below twenty-five cents, since a ten-cent article now requires a one-cent stamp, and this tax, though unequal, appears to be well borne. It is therefore recommended to equalize it upon this basis, as being the most convenient and practically applicable of any that could be adopted, with the exception of twenty-five and seventy-five-cent articles. A stamp duty of eight per cent. would apply better in a few cases, but it would hardly restore the original discrimination under existing circumstances, while it is claimed that the original discrimination was too small for the protection of the best interests both of the revenue and the public. The lengthened experience of the British excise has led to a very much higher stamp duty upon all this class of articles, with what is believed to be a good result.

By causing the maker to fix the retail price, and to affix the proper stamps in accordance therewith, the articles might be relieved from further taxation, no matter at what advance on the retail price they might be afterward sold, provided the maker's retail price be a fair one.

The commission recommend that Schedule C, under the head of "Perfumery and Cosmetics," be further changed and amended, by inserting, near the end of the first paragraph relative to perfumery and cosmetics, after the words "retailed price or value," the words "*as fixed by the maker of the article, the sum of ten cents, one cent; and for every additional ten cents, or fractional part thereof, the sum of one cent additional;*" and by omitting all under this head relative to perfumery and cosmetics, after the words "retailed price or value" in the first paragraph.

By the requirements of the present law, (see Schedule C, section 170,) *playing-cards* are required to be stamped at the varying rates of two, four, ten and fifteen cents and upwards, per pack, according to their selling price and value.

The commission recommend that so much of Schedule C as imposes the above varying rates of excise by stamps be repealed and in lieu thereof the following be substituted:

**PLAYING-CARDS.**—*For and upon every pack not exceeding fifty-two in number, irrespective of price or value, five cents.*

The reasons which induce this recommendation are as follows:

To give to the law greater simplicity and uniformity, and to render it in every respect specific. A varying rate of tax, as at present, upon playing-cards, *ad valorem* in character, opens the door to frauds and abuses, and entails upon manufacturers and revenue officers alike a vexatious amount of labor in the keeping of accounts and the making of returns. As a very large proportion, moreover, of the playing-cards manufactured and sold, are included, by reason of their value, under the *two* and *four* cent rates of stamp excise, it is the opinion of the commission that the revenue received from this source will not be diminished in consequence of the proposed amendment, but, on the contrary, will be increased. The experience of Great Britain has led to the adoption in that country of but a single rate of stamp excise upon playing-cards, namely, sixpence (six cents) per pack; and our own experience, as well as that of other countries, has shown that the most important results in the stamp department of the revenue, flow from the use of the smallest stamps employed extensively. Attention should also be called to the fact, that with a reduction in the prices of material—paper, paints, &c., and of labor, which is now taking place, the prices of cards will be also greatly reduced, thus obviating the necessity for the use of stamps of as high denomination as are now employed.

The commission estimate that with a uniform and specific tax of *five* cents per pack upon playing-cards, an annual revenue of between two and three hundred thousand dollars will accrue from this source.

By a provision of section 169, foreign-made or imported cards, perfumery, medicinal preparations, cosmetics, &c., are not required to be stamped, if sold in original packages. It is represented to the commission that this provision is extensively taken advantage of by domestic manufacturers of the above-specified articles, to escape taxation, by fraudulently representing and selling their goods as of British or other foreign manufacture, thereby defrauding the government and injuring the business of the honest manufacturer. The remedy for this would seem to be, to enact that all articles enumerated in Schedule C—foreign as well as American—when offered for sale, shall each bear a stamp in accordance with the provisions of Schedule C. This might require the foreign manufacturer to purchase the stamps here, take them abroad, and affix them to his articles, from time to time, as they were needed. If such provision would in some instances seem onerous, more particularly as regards importers, who would be required to stamp their goods in advance, it may be replied that that difficulty could be obviated in a great degree by the government allowing (as now *five* per cent. deduction on all sales of stamps, in sums of \$1,000 and upwards; and in case of a manufacturer owning his plate, (always kept in possession of

the government,) an allowance of *five* (5) per cent. additional; which allowances are considered, and actually are, an ample remuneration for the outlay and loss of interest and capital invested in the stamps. The commission would commend this matter to the attention of Congress, and would recommend that the law be amended in accordance with the above suggestion.

Respectfully submitted for the commission.

DAVID A. WELLS, *Chairman.*

Hon. HUGH McCULLOCH,  
*Secretary of the Treasury.*

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SPECIAL REPORT No. 9.—INFLUENCE OF THE DUPLICATION OF TAXES  
ON AMERICAN INDUSTRY.

TREASURY DEPARTMENT,

*Office of the United States Revenue Commission, February, 1866.*

SIR: The general views of the commission in reference to the system of internal taxes now in force having been presented in the report of the commission already submitted, it remains only to add some further remarks occurring since that was written. However well adapted that system was to the emergency in which it originated, it could scarcely be worse adapted than it is to the normal condition of the country. These taxes were paid at first with as much alacrity as if they were contributions to the relief of suffering soldiers. The liberal and patriotic feelings of the people were roused to the highest pitch, and whatever was required for the aid of the government or its armies, or for the extinction of the rebellion, was furnished not only cheerfully, but with enthusiasm. While these impulses remained in full force, taxes were scarcely felt; they were less regarded as matters of business, than as sacrifices to the war. Now, the people are returning to the ordinary views and pursuits of business, and begin to regard the internal revenue system with the eyes of practical men; and while they express their willingness to pay all proper and needful taxes, they are not slow to think and say that there ought to be a reasonable degree of consideration for the interests, feelings, and convenience of those who pay the taxes on the part of those who impose them.

The multitude of special taxes not fully understood or strictly levied at first, begin now, as results unfold themselves, to present a maze of complications bewildering to the tax-payer, to the assessor of taxes, and to those who attempt to disentangle or point out the details. When hundreds of articles, taxed and re-taxed, pass into the channels of trade, and finally to the hands of the consumer, no one can tell how much he is taxed, nor whether he pays more than his just share; no one can pay his tax, as men of business love to do, and be done with it; no one can know what he pays yearly, and a degree of uncertainty and confusion hangs over the whole matter perplexing to all concerned. It is very certain that this jumble of taxed persons and taxed commodities, passing through all the complications of distribution pertaining to manufacturers, mechanics, trade, and consumption, piles up like drift, leaving upon persons and classes burdens the most unequal and crushing. To these burdens will be added soon insufferable annoyances from assessors, who, as they begin to comprehend the extent of their powers and learn how to employ them, will, from a sense of duty, increase their vigilance and extend their official action; or, from fraudulent motives, endeavor to drive their victims to pay for relief. This is being done al-

ready to a great extent, but it is destined to be an annoyance which, of itself, would compel the abandonment of the present system. The detestation which is soon to follow its enforcement will early attract the attention of politicians, who may employ it as a party *shibboleth*, and thus grasp power which, if abused, may endanger national credit and derange the whole system of internal revenue.

It is a redeeming feature in this system that bread is not taxed; it is to be hoped that throughout the country the man who kills a sheep, a pig, or a calf, may escape the keen scent of the tax-gatherer, and that those who slaughter cattle and hogs by the thousand for the food of the laborers of the country may not have the opportunity of adding any tax to the morsels of meat which make the chief food of the men who do all our work.

A very objectionable item of our internal revenue system is the six per cent. on certain branches of manufactures. This tax has no parallel, probably, in the fiscal regulations of any civilized nation. It would utterly destroy, in ten years, two-thirds of the various kinds of production subjected to its operation. A very large proportion of the manufacturing establishments in the United States sell products yearly to two or three times the amount of their invested capital, and in many departments of production their sales yearly amount to more than three times the cost of their establishments. If the capital invested be one hundred thousand dollars, the sales may amount to two or three hundred thousand dollars, and the tax on that business will range from twelve to eighteen thousand dollars—that is, from twelve to eighteen per cent. on the cost of the manufacturing establishment.

The sales of its products by a manufacturing establishment is no safe indication of its profits. It may make and sell to the amount of a million of dollars without making a dollar of profit, though obliged to pay a tax of sixty thousand dollars. There are many departments of industry affected by this tax, which do not, on the average, make six per cent. six years in ten. There are many manufacturers who cannot anticipate, at the beginning of the year, upon any reliable grounds, whether they will lose money, or make one or two or six per cent., or whether they may not be heavy losers. Losses, from ten to forty thousand dollars, occur sometimes two or three times in ten years in establishments with an investment of from one to two hundred thousand dollars. Every one familiar with large establishments can recall years in succession when few realized six per cent., and when many made nothing, and not a few sustained heavy losses. The periods of commercial depression in which the working classes, the mechanics and the manufacturers, suffered so much from storms in the commercial world, last sometimes for years, during which disaster distress and ruin disturb the whole progress of domestic industry. These troubles come not from the over-production of the manufacturing or working class, but almost altogether from overtrading. When, for a few years, goods are purchased in large quantities and upon very long credits, a debt is accumulated, to be finally liquidated by insolvency in some cases, compromises in others, and heavy losses and distress among all classes. It must be remembered, these are periods of commercial revulsion; the producing classes do not make, but only suffer by them; they are the work of merchants, and directly or indirectly the results of foreign trade and long credits.

These remarks are intended to exhibit the effect of the six per cent. tax, which must certainly crush those upon whom it operates in times of commercial depression. The producing classes are very dependent upon merchants for the sale and wide distribution of their commodities, and cannot readily sever their relations. Consumers here can go directly to the manufacturer, passing by the merchant, but cannot go to the foreign manufacturer, whose products must all pass through the hands of importing merchants.

The American manufacturer is far from enjoying a smooth path in his daily

or annual business. He must have a large capital at risk ; he must do a large business, or he cannot equal competitors in economy of production ; his prices are not fixed by himself, but controlled by competition from abroad and at home, or both ; he may, at times, not be able to obtain fair prices for his own productions, or he may have to pay exorbitant rates for the raw material of his manufacture. In every point of view in which it is presented, it seems clear that the six per cent. tax on manufactures will destroy productive power in an increasing progression, that will, in a few years, if not removed, furnish a sad monument to perpetuate the memory of a great mistake.

As this tax now operates, it has another evil aspect, regarding it only as a burden of six per cent. on production. It is well known that a very large proportion of the raw or first material of our manufactures is purchased by the manufacturer upon credit. For the labor he employs he must pay money at short intervals, and for all current expenses he must pay money ; the raw material upon which he is engaged is the only large item of his outlay for which he can obtain a credit long enough to be of any considerable advantage. A very large amount accordingly of the business paper discounted by banks and money-lenders is the paper given by manufacturers for the material used by them. This paper they expect to pay with the proceeds of their sales. The manufacturer finds, however, that while the bank only retained at the rate of half per cent. a month from the note by way of discount, the collector of taxes absorbs six per cent. in bulk. The bank takes two per cent. or twenty dollars from a note of \$1,000 at four months ; the collector takes sixty dollars additional.

This view presents the objectionable tax of six per cent. on the products of our general industry, as if it were simply a burden of six per cent., and nothing more. But it is a great deal more. Upon analyzing the cost of a large number of commodities, and the occupations by which they are produced, it is discovered that the six per cent. tax is virtually a tax upon the specific industries to which it applied, of from ten to fifty per cent. and upwards. If a manufacturer makes goods to the amount of \$100,000 in a year, he pays a tax of \$6,000. But his raw material may have cost him \$70,000, to which, in his business, by his labor, skill, and capital an additional value of \$30,000 has been added. This additional value is all that his manufactory has done in furnishing the product. The raw material which he is obliged to purchase is the product of other manufactories or other industry. He pays, therefore, \$6,000 tax upon the business of adding a value of \$30,000 to a material previously existing. This tax is 20 per cent. on his year's business. He has, of course, besides to pay for the labor and other cost of producing a value of \$30,000. In purchasing the \$70,000. worth of material for his manufacture, he may have paid \$4,200 tax previously exacted upon its production.

The commissioners in their general report have not deemed it expedient to recommend any reduction of taxation, otherwise than as therein expressed. They have, however, distinctly intimated the propriety of further reduction when the way seemed clear for such a measure, without danger to the revenue. Every day's experience seems to demonstrate the necessity of making that reduction soon, and with that view of providing other resources to supply the amount which the reduction may withdraw from the annual receipts.

No possible skill or power of analysis can ever trace the results and bearing of a taxation which affects five or six hundred articles specifically, and thousands not mentioned but taxed as manufactures, besides licenses upon a hundred employments, and stamps affecting those most who pay most of the other taxes. This formidable objection meets the lawgiver at the first step, in framing a system resting upon so numerous an array of items.

It is impossible to infuse into it any principle of justice which will control its working and tend to keep it within reasonable bounds of equality. The com-

ons and combinations of hundreds of the taxed articles, as they pass h the channels of trade or manufacture to consumption, defy all definite y as to who pays the final tax, or in what way it is apportioned. Very ax-payers must ever remain under the impression that they are paying an their just portion, even after all allowances are made for unavoidable lity. The metals in all their variety furnish objects of very large con-on ; iron, steel, copper, lead, zinc, and others, are employed in this coun-a value of not less than three hundred millions of dollars, at their cost as ater into consumption. As many of these metals are taxed half a score s before they reach the consumer, often several times in the same manu-, it is utterly impossible to estimate the amount of tax they carry with o be paid by the consumer, manufacturer, or both. There is no commod-much taxed as iron, except spirits and tobacco ; but what is to be spe-noted is, not what is levied upon the manufacturer so much as the num-times iron in its various shapes is taxed. It leaves the furnace and -mill without having been charged more heavily than many other articles, it is the chief material of innumerable other manufactures, it continues axed and retaxed in some branches of industry a score of times. As on, so to a considerable extent with other metals, and a number of other dities.

obvious, upon the least examination, that these accumulated taxes do ll upon tax-payers with any approximation to justice. A very large tion of the people are not consumers of the metals, and of course escape ole burden. The metals are the very fibre and ligaments of industry ; them heavily is to send a tax through the whole body and members of y, enlarging as it goes, and falling most heavily upon those who are do-t what the interest of the nation demands, employing metals taken from n mines. There is no source of wealth which is so clear a profit to a as the metals. Iron, one of the most useful and indispensable, is taxed ie pig to the horseshoe nail, or rather to the carpet tack. It is taxed in shop in which it is used, and in every combination with other metals, and ood or other materials. It is severely taxed in every variety of machinery ich it goes, and these taxes, as they increase, make up a crushing burden he inventive as well as the productive power of the country. Our success ying machinery to industrial purposes surpasses that of all other people, ves promise of success in our contest with the cheap labor of other parts world. If successful, our own victory must be due to machinery, of iron and steel must be chief elements. These metals are not taxed countries distinguished in any degree for their progress in productive ry, and whose productions bear most heavily upon our domestic labor.

taxation of iron, steel, and other metals, is a national subject, and the ons arising upon it are of national interest. It is not for the proprietors aces, forges, and rolling-mills, to ask for exemption from burdens similar e which others must bear, but it is sound policy for the nation to aim at g iron as abundant as possible. If its exemption from taxation should capital and labor into its production, it would be a public benefit. The option of iron in this country, though increasing rapidly, is yet only about irds per head of what it is in Great Britain. Under a proper industrial we shall, within the next decade, equal, if not exceed, the production and eed the consumption of that country. If so, our whole wealth and power : found to have kept pace with the increased consumption of iron and steel. terion can so accurately measure the civilization and productive power of le as the extent to which they make and employ these metals. The indus-licy of the country should be directed towards doubling the product of nes in the next ten years. The interests of navigation, internal and ex- of railroad transportation, of the production of machinery, and of the im-  
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plements of husbandry, and of all other instruments and appliances of mechanical industry, and of the numberless trades employing and consuming iron and steel for all the purposes to which they are applied, demand that we should not only make as large a quantity of these metals as is made in Great Britain, but that we should consume the whole. Let no obstacles be placed or be allowed to lay in the way of this important advance in metallic industry.

If the manufacturers of metals grow rich, they will personally be fit objects of taxation. But let no tax or other obstruction stand in the way of those who are willing to enter upon this useful career; let the infant manufacturers have an opportunity to struggle upward, and strengthen as they grow. They will best curb the power and tendency to monopoly of those establishments which have attained full maturity.

The further the examination is carried, and the more closely the relations of domestic production are considered in all its departments, the more obvious becomes their dependence on each other, and the dependence of our people upon them. These branches of industry are the chief supporters of each other; that which is a burden upon one is generally a burden upon all. Some can bear heavy taxation, some equally important cannot, on account of exposure to foreign competition or other disabling circumstances. The heaviest and most injurious of all taxation would be that which diminishes the power of domestic industry. Especially would it operate severely upon agriculturists, who would not only lose consumers, but find increased competitors among those who would be driven to agriculture for a living. No country has ever ventured to burden domestic production so heavily, and it is quite certain it cannot be done with impunity. The quicker we recede from so mistaken a policy, the better.

Before closing the remarks now submitted on the subject of internal revenue, it seems proper to say, that if the commission had been able within the time allotted to collect the necessary information, to prepare and report a compact bill, framed to raise the whole sum required for the treasury, it would have been a happy event for the country if Congress had found the bill adequate for the purpose, and had swept away the tangled mass of taxes from nine-tenths of the articles now burdened, or in some instances buried under them.

The immense number of persons and objects specially taxed distinguishes our system, and makes it the most impracticable of any in the world. It is continually unfolding new complications and exhibiting new faults, and this it cannot fail to do as long as it is permitted to remain. The complications of business are such, and the bearing of this taxation so universal, that unpleasant results in endless diversity will be continually turning up, to wear out the patience and sour the temper of the people.

Since signing the report of the commission, in which the objections to the present system of internal revenue are strongly stated, the pressure of the objections therein stated, and such as are made above, have become of sufficient force to draw increased attention to the subject. This system has not been so long in operation as to make it indispensable that its abandonment should be necessarily gradual. It seems rather now that it should not be continued longer than it may take to find a substitute. Mischiefs may arise from its continuance even one year, of which no risk should be encountered. The taxes of this year will be severely felt, and will be crushing in their weight upon large masses of the people. The promise of a gradual abatement may not suffice to quiet the increasing impatience under this burden. If the present Congress does not sweep off at this session the most objectionable features of the system, the next Congress may possibly be so constituted with respect to this question as to act with more efficiency than financial skill or proper caution would dictate.

As this subject is of such pressing importance, the attention of the commission cannot be withdrawn from it; the interest in the subject cannot grow less. If it shall seem expedient during the session of Congress to make suggestions

wards a measure for a further and larger reduction of the number of articles taxed under our internal revenue system, the commission will return to the inquiry, and make an additional report, with the hope of affording some aid to a desirable object as simplifying our system of internal taxation, and making the burden more easy to bear.

Respectfully submitted for the commission,

STEPHEN COLWELL.

Hon. HUGH McCULLOCH, *Secretary of the Treasury.*

SPECIAL REPORT No. 10.

*Report upon the relations of foreign trade to domestic industry and internal revenue.*

TREASURY DEPARTMENT,

*Office of the United States Revenue Commission, February, 1866.*

SIR: The burden of heavy taxation being new to the people of the United States, they have much to learn, both as to the art of carrying and the mode of sustaining it. It could not be expected that complete success would be attained at once in a matter of so much complication and such varied aspect and bearing. In one respect, however, the success has been ample; the amount collected and collected has been large enough to commence auspiciously our new fiscal career. It remains now to establish a system of taxation and finance which, while it sustains the power and credit of the nation, will as little as possible obstruct the progress and success of national industry, and as little as possible prevent that industry from taking the deep root necessary to a strong and growth.

Something more than mere hard work is needful to give to industry the power to endure taxation; it is needful not only that labor should be remunerated, but that its products should be remunerative. People may work hard and long, and yet have little to spare for taxes. It is needful, in other words, that labor should not only be productive of great results and abundant commodities, but it should be productive of net income, for out of such income only can taxes be paid for a protracted period. To make industry productive and profitable all the labor of the country should be employed, for those who depend upon their labor for a living, and are not employed, must be a dead weight upon the community. If taxes do not come from net income, they must ultimately crush the industry in which they are levied.

The union between capital and labor necessary to the largest profitable production must be undisturbed, and must enjoy the full patronage of the whole people to secure the highest result. In any country a well-ordered and successful industry works itself into a system, each part of which becomes necessary to the other, as the members of the body are each necessary to the human frame. No member can be removed or seriously impaired without serious damage to the whole. And if no such system is formed in a country, it is a proof that its industry is not well balanced, and cannot be fully effective.

A system of industry in any country grows out of the special wants of its people, and the special direction of its productive forces to supply those wants. The domestic interchange of a people living under the same laws, speaking the same language, having the same money of account, the same coins, the same

banking system, consists in mutually exchanging commodities and services. The agriculturist, the manufacturer, the mechanic, the artists, and the various professional classes, and, finally, the officers and employes of the government, all these exchange with each other their various productions, their skill, science, or other service. Daily intercourse and necessity establish between them a rate of valuation or price for commodities, for time, skill, art and science, in which each class and individual strives to secure due justice, so that the result of the whole of their efforts is that general range of prices which prevails in any country. Nothing in civilized society engages men's attention more constantly, nothing is more earnestly observed, yet nothing is more fluctuating than prices, and few things are so little understood. Thousands of influences, seen and unseen, are constantly bearing upon them, and the tendencies to change are so numerous and varied that they cannot be traced.

One of the most influential of these causes is the fact that, so far as the commodities of industry are concerned, the business of distribution has fallen into the hands of a distinct class, the merchants, who purchase and sell the products of industry, and whose interest is to purchase as cheaply as they can and sell at the highest rate they can. Prices of commodities are constantly and largely modified by their operations.

Disturbances and changes come from every quarter; a proper and just equilibrium is seldom long maintained. Extreme variations are very hurtful, bearing severely upon some, whilst other classes are unduly benefited. No boon could be more grateful to productive industry than regular and fair prices.

The most numerous and important class of society with reference to this subject is that of the laborers. The remuneration secured to them determines mainly the whole range of prices, especially in a country like ours, where laborers have so much power to exact large wages and select the best-paid employments. In some proportion to the general rate of their wages, salaries, professional and other compensations, are fixed. There is thus a proportion between prices running through all the transactions of a community governed chiefly by the remuneration of labor. This belongs to every system of industry. But every productive class has special characteristics to be noted.

Manufactures on a large scale have in our day grown into an importance only inferior to agriculture. Very different, however, in general economy, processes, and movements. The capital, special skill, science, the capacity for extensive business, and the large operations involved in the modern economy of manufacturing, make it, in many aspects, a matter of vast national concern. It is so, not only on account of the multitudes of laborers it employs and the wages it pays, but in its relations to national independence. The greatest economy of manufacture can only be achieved in large establishments, and these cannot fail to be a benefit to the people among whom they are placed.

The United States has now become, if not the first manufacturing country of the world, at least the second; for though, on account of our high prices, we are not large exporters of manufactured goods, the people, in proportion to their numbers, are very much the largest consumers of commodities coming from large establishments.

Great manufactories more than double the productive power of a country, adding to manual labor the vast results of machinery and of water and steam power.

Our progress in manufacture, both in regard to quantity and quality, despite of difficulties, is far beyond any conception of those who have not, with adequate knowledge, observed it. Our superiority in invention, in the style of execution, and in the varieties of our applications of machinery, cannot be denied. British manufactures, English hardware especially, have been almost expelled from our markets by superior articles of home production. Every year adds to the list of domestic manufactures, and proves our ability in a very

short time, in favorable circumstances, to supply all our home wants, not only of the plainest, but the most elaborately artistic commodities.

The career of great as well as small manufacturing is one which eminently suits the capacity and genius of our people; their success thus far, under manifold obstacles, proves this. It suits our country, too; for every manufactory, with its numerous operatives, makes an additional market for our boundless agricultural domain. The first problem of our labor is a market for our agricultural products. Foreign countries will take our cotton and, when they need it, our wheat, but our manufacturing population will take their whole supply of all that field, orchard, pasture, and stalls afford.

Two things are essential to the success of manufacturing in this country: first, a ready market, for the daily expenditure is so great that rapid sales are necessary; and, second, fair prices, for the outlay is so large that the losses become heavy weekly, or even daily, if prices are not remunerative. Our success in manufacturing has not been attained but at immense cost. We note the successes, but the failures and losses, if fairly summed up, would show a very small net gain. Individuals, firms, and companies have made great profits, but, as a whole, there is reason to believe that the manufacturers of this country have never realized two per cent. on their investments.

There is one consideration in favor of the fullest manufacturing development, which, like its importance to our agricultural interests, should never be overlooked in our estimates of the power of our people to bear taxation. It is the simple fact that we can never obtain from any or all foreign countries our whole supply of what we wear, and a like supply of iron, steel, copper, lead, tin, and other metals, for the simple reason that they could not be transported to our shores; and if they could, we have no means of paying for them. Foreign nations altogether will not take from us what will pay for one-tenth of the amount of our wants.

The consumption in the United States of iron, steel, copper, lead, zinc, woolen goods, cotton goods, leather, and glass, is not less than to the value of a thousand millions of dollars, of which we import to the value of less than a hundred millions. In a very few years, when the southern States have partially recovered, this consumption must reach, with the increase in the northern and middle States, an amount at least half as much more. To import our full supply of these articles from the cheapest markets of Europe, or of the world, would take all the gold in the country, all our cotton, and all the commodities usually exported, and leave us in debt for half the amount. It would compel the whole manufacturing population to engage in agriculture; it would put wheat to fifty cents per bushel, and every other product in proportion; it would reduce monthly wages again to ten or fifteen dollars, and virtually place the whole country in the condition of an appanage of the manufacturing countries of Europe.

But the supposition of such an importation is too preposterous even to be used as an illustration. It is not only preposterous—it is impossible. Such an importation is not only impossible, but it is scarcely possible to import ten per cent. of our consumption of those commodities. The cheapness of foreign manufactures depends mainly on our own ability to supply ourselves; the foreign goods are only offered at rates low enough to undersell the domestic manufacturer. When our home manufacture ceases, foreign goods are no longer cheap.

We are compelled, by these considerations and others equally strong, to resort to manufactures at home for ninety per cent. of our consumption of such articles as are above enumerated. No country, except Great Britain, imports to the amount of ten per cent. of its consumption, and in her case it is because the excess over ten per cent. consists of raw materials of her manufactures, which are more than *d* *ad* in value and re-exported. The consumption of these

articles of necessity and comfort in Great Britain, it should be noted, is far below what it is in the United States.

The necessity of making our own goods may be explained by supposing that two country merchants offer their several stocks of goods in a rich agricultural district of the west, furnishing the only two sources of supply for the neighborhood—the one taking only such articles for his goods as will bear exportation to some foreign country, the other taking every product of the field, garden, orchard, pasture, and, of course, taking nine-tenths of the business. His success will lead him into manufacturing, or lead others into it, that he may find a more ready and profitable market for the varied commodities which his mode of doing business brings to his hands.

When the farmer can exchange the entire product of his land at rates corresponding to the general price of labor, he can supply himself abundantly, and his farm will be worth four times as much as it would be when only the cereals can be sold. Land in the vicinity of a manufacturing population is worth, for agricultural purposes, from one hundred to two hundred dollars per acre, and very often much more. Where such advantage is wanting, farms are, in our country, seldom worth forty dollars per acre.

Pennsylvania could with difficulty pay, in any product of her own, for fifty thousand tons of iron imported from Great Britain; but her capitalists and farmers can feed and sustain a population large enough to take from her own mines and manufactures five hundred thousand tons of iron, of the value of thirty millions of dollars; and the same policy extended to her other resources, makes her annual product worth \$300,000,000. The proceeds of her agriculture could not be exchanged abroad for one-half of what the iron brings.

In other words, Pennsylvania, without products of her own to spare, which she can exchange in Great Britain for fifty thousand tons of iron, can manufacture ten times that quantity. The whole agricultural product of the State being thus converted into iron and other manufactures, becomes directly and indirectly a purchasing power in the home market. The product of an acre of wheat exported to England or Scotland may import a ton of iron; but an acre cultivated for vegetables at home will purchase five to ten tons of iron.

The purchasing power of a people who have duly mingled manufacturing industry with agricultural production is tenfold that of a purely agricultural community. The individuals of a country with such a blended industry purchase from each other, and the only limit to the power of purchase is the power of production. The population of Great Britain and the United States is, respectively, not far from thirty millions, yet the internal trade of the United States is of tenfold greater value than our entire foreign trade, including the United Kingdoms of Great Britain and Ireland. Our foreign trade with France is less than a fifteenth part of the value of our domestic trade. The strength and wealth of a country should be measured by the quantity and value of its productions which it consumes, and not by what it sends to other countries. No civilized nation obtains from other countries a tenth of its consumption. Massachusetts and Philadelphia contribute to the consumption of the United States more than all Europe; so also the city of New York and New Jersey. The trade between Pennsylvania, New Jersey, and New York on one side, and the New England States on the other, vastly exceeds our trade with Europe.

Illustrations of all this may be found in the statistics of every country, and each of our States. Wherever industry is most varied and promoted, where the purchasing power is best developed, there taxation can be borne with the least injury. And it is to prosperity founded on diversified industry that we look for ability to bear cheerfully, for a score of years, the taxes needful to discharge our increasing national expenditures, the interest of our heavy debt, and its final extinction. Our debt cannot be paid off in the time many anticipate, because there will inevitably occur occasions when it must be increased.

Our financial arrangements must now be made on a system which, like the present, will not only furnish the amount required, but just as surely on a system which will not weaken the producing power of national industry by an awkward distribution of the burden. A soldier's knapsack, properly placed, may be carried long and cheerfully, or it may be so placed as to chafe him into misery, and be flung away as an insufferable burden. Such is the present distribution of our taxation. No nation ever bore such a burden, placed as ours, even for a year; nor can our people bear it two years more. It is now beginning to grind its way to the vitals of the productive power of the nation, and the generous disposition of the people is even now curdling into impatience, which, in another year or two, will become the root of a party that will carry everything before it.

The people of the United States, with their knowledge and experience in public affairs, and their command over their public men, cannot long endure a vicious system of taxation. They will soon see what is wrong, what is unnecessarily annoying and inconvenient, and will demand a full and satisfactory remedy. This should be conceded at once, as every year will increase the impatience of tax-payers and the difficulty of making changes. No people pay taxes more willingly, but none are more indignant at injustice, or are less tolerant of unskillful legislation.

If diversity of production adds so much to the productive power of a people, and, by consequence, so much more to their purchasing power, and of course to their ability to endure protracted taxation, it is proper to consider what policy, on the part of the government, will most promote diversified industry, and secure its activity and continuance. Many suggestions arise, in regard to our national policy, touching such departments of our industry as are exposed to foreign competition. Those who are engaged in the same pursuits have often experienced the severity of home competition, and been subjected to a struggle involving all the economy, skill, and perseverance they could command, but generally with public benefit, even though individuals suffered. In a competition for the home market the competitors are, in a great degree, under mutual observation, and note each other's progress, and every aspect of their several productions, as well as their daily condition. They know what the market will bear, and the ability of each towards supplying it. They are not surprised by extraordinary and unexpected quantities of their special goods thrown upon the market, and they work vigorously to maintain their place in their own markets by improving the quality and reducing the price of their goods. Domestic competition within due bounds is, therefore, a public advantage, but the occasions are not rare where competition at home becomes a temporary occasion of evil—as when machinery, or water, or steam is substituted for manual labor, or in cases where discoveries are made or inventions brought into use giving advantages to some not attainable by others. This may, and does at times, bear with distressing severity upon both employers and employes, and, so far as competition goes, this is enough for the former and more than enough for the latter, whose living depends upon the regularity and permanence of their business.

The competition with foreign products and laborers is different in operation and results. Whatever benefits may be claimed for it are wholly overcome by its mischiefs. The trade between nations remote from each other is always characterized by great irregularity in quantities and values as compared with the course of domestic production and trade. So great is this fluctuation that people would often suffer for clothing, food, and other necessities if the domestic trade was equally variable. Foreign trade is chiefly a trade in surpluses; but it is affected also largely by the fluctuations in price as they happen to occur in different nations. One people may be in need, but others have little to spare; or it may have a large surplus and others not be in want. The opinions of

merchants as to their own or foreign markets, in which they may widely differ or be greatly mistaken, together with those ever-recurring commercial convulsions which for a time prostrate both trade and production, contribute to make international trade so variable as to be dangerous to the more steady pursuits of domestic industry.

The fluctuations of imports into our own country may be seen by a glance at the following tables:

*Imports since 1854-'55, with the rate of increase or decrease from year to year.*

Year.	Total imports.	Increase.	Decrease
1854-'55 .....	\$261,468,520		
1855-'56 .....	314,639,942	20 per cent.	
1856-'57 .....	360,890,141	14 per cent.	
1857-'58 .....	282,613,150		25 per cent.
1858-'59 .....	338,768,130	20 per cent.	
1859-'60 .....	362,163,941	7 per cent.	
1860-'61 .....	352,075,535		3 per cent.
1861-'62 .....	205,819,823		43 per cent.
1862-'63 .....	252,187,587	22 per cent.	

*Population as usually estimated for each year, and as stated by each census with the imports of each, and the rate per head.*

Year.	Population.	Total imports.	Amount per individual.
1794 .....	4,400,000	\$34,600,000	\$7 86
1795 .....	4,600,000	69,700,000	15 15
1796 .....	4,700,000	81,400,000	17 30
1798 .....	5,000,000	68,500,000	13 70
1801 .....	5,000,000	111,300,000	20 20
1803 .....	5,000,000	64,600,000	11 10
1805 .....	6,200,000	120,600,000	19 40
1807 .....	6,600,000	132,500,000	21 00
1818 .....	9,100,000	121,700,000	13 36
1821 .....	10,000,000	62,500,000	6 25
1822 .....	10,200,000	83,200,000	7 16
1825 .....	11,200,000	96,300,000	8 60
1830 .....	12,800,000	70,800,000	5 53
1831 .....	13,200,000	103,100,000	7 81
1835 .....	15,000,000	149,800,000	9 92
1836 .....	15,300,000	189,900,000	12 40
1838 .....	16,200,000	113,700,000	7 00
1839 .....	16,600,000	162,000,000	9 75
1842 .....	18,000,000	100,000,000	5 55
1847 .....	20,780,835	146,545,638	7 05
1848 .....	21,413,890	154,998,928	7 24
1849 .....	21,956,945	147,857,439	6 76
1850 .....	23,246,301	178,138,318	7 65
1851 .....	24,250,000	216,224,932	8 91
1852 .....	24,500,000	212,945,442	8 70
1853 .....	25,000,000	267,978,647	10 72
1854 .....	25,750,000	304,562,381	11 84
1855 .....	26,500,000	261,468,520	9 88
1856 .....	27,400,000	314,639,942	11 49
1857 .....	28,500,000	360,890,141	13 02
1858 .....	29,500,000	282,613,150	9 58
1859 .....	30,385,000	338,768,130	11 13
1860 .....	31,000,000	362,163,941	11 67

When it is considered that the prices of goods in this country are chiefly governed by the markets of our principal ports of importation, the examination of the above table should satisfy every candid mind that such fluctuations in the values and quantities of goods imported must, to a most injurious degree, affect the whole business of the country. They engender a speculative spirit, an evil the extent of which can never be measured nor sufficiently appreciated. A trade so variable cannot but impart this unwholesome characteristic to our whole internal commerce. This alone demands an adequate remedy, as most inimical to the productive power of our labor.

The variation in quantity and prices of commodities impart to foreign trade many characteristics of gambling. The regular merchant very often finds himself surrounded by adventurers and speculators whom he scarcely knows how to regard; they may be smugglers, they may be gambling speculators, or they may be agents of foreign merchants or manufacturers, to manœuvre goods consigned to them through our custom-houses.

Our foreign trade, however, its advantages or disadvantages apart, is now undergoing a change which will certainly make it a worse foe to our home industry than it has ever been. This change has its origin in the *ad valorem* features of our recent tariffs.

Our shipping has so diminished that goods come to us in foreign vessels, and of course the shipping, freight, &c., is all under foreign management and control when landed here.

The trade has for many years, therefore, been taking a shape which has now grown to formidable dimensions. The factories, workshops, and the workmen are in Europe; the warehouse is in New York. Goods intended for the warehouse are invoiced at the factory cost, are entered at our custom-house at that price, the duties are largely diminished, and the evil of competition with cheap labor increased. The mischiefs of thus harboring a class of men whose business it is to debauch or mislead our officers, to rob us of revenue, and injure our domestic industry, is so apparent that they should long since have found a remedy. These foreign agents co-operate constantly for the evasion of our revenue laws. They pay inadequate taxes, they render no military service, they pay very little rent, their sympathies are all on the other side, and their business is to nullify laws pertaining to our commerce and our industry. There is no redeeming benefit to reconcile us to their presence and operations. If they realize fortunes here, their money, instead of going to increase capital or aid enterprise here, is carried to Europe to swell the volume of capital there, which is employed in overwhelming our rising industry. No country in the world is afflicted with such a multitude of commercial parasites.

The concentration of foreign commodities and the agents of foreign firms and companies in New York gives this foreign interest the control of prices there, and of course, in a large degree, of the whole country. This is an advantage which places our home industry very greatly in the power of those who are interested to prostrate it altogether. It is well known that a few million dollars' worth of goods may be so sold as to inflict a loss on corresponding articles of home production to perhaps twenty times the amount. Purchasers flock to the cheaper markets, and the holders of goods elsewhere must reduce their prices or their sales must stop.

Foreign manufacturers can, when they please, by means of cheap labor, abundant and cheap capital, and the strong position they hold in New York, assail our whole domestic system, and, without any material loss to themselves, inflict a blow upon our industry which disturbs the whole fabric of our industrial as well as of our credit system.

The sale of foreign goods without precautions not only reduces prices, but checks the movement of domestic commodities, to the special inconvenience and



damage of the makers, who cannot prosper without regular sales proportioned to the progress of consumption.

The unsteadiness of our domestic policy for the last half-century, added to the characteristic fluctuations of foreign trade, has during nearly all that time caused such extreme variations in the price of goods in our markets as has seriously impeded the progress of domestic industry, and imposed injuries upon merchants and manufacturers at home so fearful in magnitude, taken in the aggregate, as would for the last half century rival the devastations and losses of the rebellion. Men well versed in the productive power of the country have during that time been often led to say that it would be a great saving to the labor of the country to pay the whole revenue, in place of suffering the continual assaults of pauper labor.

That such losses have not more seriously damaged our domestic industry is due to the inventive power of our mechanics and to the introduction of machinery in place of hand-labor. But the disadvantage is yet so great that it should be a constant object of national attention and anxiety to those who are shaping the financial policy of the government. It is no misfortune nor discredit to our country that we cannot manufacture as cheaply as they do in Europe, and that our operatives are paid two or three times more for wages than is paid for similar work abroad.

If nine-tenths of the commodities consumed in the country must be the products of home industry, and if the competition in the home market is, as we constantly observe, severe enough to compel the producers to employ all the economy and skill they can command to maintain their position in our own markets, by reducing their prices to the lowest rates consistent with the prevailing cost of labor, then foreign competition with our labor is the danger most to be dreaded by domestic industry, and most likely to prevent the regular receipt of the public revenue.

It is well known that shippers of goods to this country take full advantage of their power over our markets, both for their own advantage and for our injury. Not only so—such is commercial sensitiveness in the matter of prices, that the arrival of unusual quantities of goods at New York affects prices before they are offered for sale, and prices not unfrequently give way even upon report of orders gone abroad for goods which cannot arrive for many weeks. This it is, among other characteristics, which makes foreign competition so much dreaded. It paralyzes domestic industry. It is fitful, variable, discouraging, and sometimes overwhelming.

Dependent as we are, and must continue to be, upon our home industry for full nine-tenths of domestic consumption, and as the prices at which home-made articles must depend in the skill, vigor, and success of home production, it cannot be wise to subject domestic laborers to a competition so destructive as that of our trade with Europe without due precautions. By no possible effort, by no possible extension of that trade, could the people of the United States be one-fourth so well supplied with the necessities, comforts, and luxuries of life as they are now by home production. The indispensable national policy is to uphold and cherish that industry to which we are compelled to look for nearly all that meets the wants of civilized life.

It is suicidal to break down or weaken the chief sources of production for the sake of purchasing a much less quantity of cheaper commodities from abroad. Nor can it be wise to expose our home production to the full effect of a competition which keeps one-half our whole population in an almost hopeless struggle for profit, if not for existence. It cannot be wise to permit the continuance of a struggle the tendency of which is to reduce laborers in this country to the condition of those in Europe as to morals, remuneration, and intelligence. But more especially, in our present view of the subject, it cannot be wise to expose

the industry of the country to disturbances which must seriously impair its ability to endure permanent and requisite taxation.

If the large sum of two hundred millions yearly, which it is apparent must now be drawn, in addition to the amount yielded by the customs from the people for the public treasury, be returned by public expenditure to the channels of our own industry, from which it is drawn, it is evident that the process cannot greatly damage or weaken productive power; but if those who receive this amount from the government expend any large proportion for the products of foreign industry, the amount so expended will be annually drawn and retained from the capital of our own industry, and to that extent it must be disabled.

So, if that portion of the population engaged in professional life, and in pursuits other than those of productive industry, expend any considerable proportion of their incomes upon the products of foreign lands, in that proportion they impair the power of that home production to which they owe the income thus expended, and derange that domestic system which alone can make a nation prosperous and powerful. They violate that which our most eminent political economist has happily called "the harmony of interests," which should characterize a national industry.

If our country is to attain that prosperity which is within its reach, and which will place and keep it in the very front rank of nations in all respects, it must preserve its internal industry from a free competition with the cheap labor of other parts of the world. It must not be our policy to bring down our laborers to the rate of wages prevailing elsewhere, but to maintain them on a higher platform and make everything else correspond. Deliverance from some of the worst evils of that cheap labor competition will so strengthen and consolidate the productive forces of the nation, and so add to the national wealth, that our present taxation will seem a light burden compared with the determined rivalry of foreign manufacturers, continually tempted by the great profits which lie between their cheap and our high-priced labor.

It should ever have been our policy to make a strict and skilful adjustment, by means of a tariff, between wages of labor at home and abroad. For want of that adjustment our industry has suffered, by the fluctuations and other incidents of foreign trade, more loss than can be conceived by those who have not carefully examined the subject, with full means of information. Great as has been the progress of the manufacturing industry of the country, and great as has been the consequent increase of national wealth and power, it is believed, on much investigation, that the individuals who have reared this vast structure have never realized two per cent. on the whole of the investments made in its progress.

What it would have been always politic for the country to do has become indispensable now—a financial necessity. Our tariff must now not only be adjusted to the difference between the cost of labor abroad and at home, but also to the burden of the internal duties levied upon home products. This is now a pressing duty. The complications and duplication of taxes, arising from the great number of articles and occupations taxed, has not only neutralized the foreign or custom duties, but in many cases produced a heavy discrimination in favor of foreign labor.

Our home production has seldom been in greater peril than at this moment. Foreign manufacturers and merchants, never long in discovering any gap affording them access to our high-priced markets, now perceive an opportunity of enlarging their trade with the United States, offering more and greater advantages than they have enjoyed in this country for many years. Our high prices, the result of many causes connected with the war, such as the withdrawal of labor from many avocations, the combinations of speculators, and the large and incessant government demand, are not the only temptations to the excessive importations with which the country is now threatened. Foreign merchants, manufacturers, and bankers know sufficiently well that the bonds of the United States

are as good a security as can be issued by any government in the world. Despite long-continued efforts to discredit them, they are flowing steadily into the possession of foreign capitalists, destined to yield a large profit at no distant day. A bond of the United States is worth as much intrinsically for investment as that portion of English consols which will yield in interest the same quantity of gold.

It cannot be doubted that capitalists in England and upon the continent are now willing to take bonds of the United States for the proceeds of all shipments of commodities to this country, as long as the bonds can be had at a price which will yield six per cent. interest, and much more readily when the bonds can be got at a rate, as now, yielding nearly nine per cent.

The reason our national bonds sell at such a large discount in Europe is, that as the foreign purchasers can obtain them at the low rate, they are not disposed to give more. Gold being overvalued in this country, having risen in price on account of the special demand for it to pay customs duties to the amount of two millions weekly, they purchase our bonds, intrinsically worth gold at par in London, and pay us in gold at forty per cent. premium. If the merchants and manufacturers, who now threaten to overwhelm us with foreign commodities, sell here for gold, they realize on it a premium of forty per cent. in our currency, and then take the bonds at par; or, if they sell their goods at our high rates in currency, they take the bonds at par, and one thousand dollars in these bonds are worth more to hold in London than £206 9s., the equivalent, at par, in sterling.

At present these circumstances offer the largest profit ever made on the shipment of foreign goods to this country. Those interested in this movement can now realize high prices for their goods, seriously injure our manufacturing industry, weaken their rivals, and obtain our national bonds at a heavy discount. These great advantages, thus offered to foreign capitalists, are as fully to our detriment as to their benefit. They imperil our productive power, our ability to pay taxes, and, in fact, our whole financial system. They sap our national strength; they continuously damage our domestic industry by substituting the products of their own—by depriving our laborers of employment, while obtaining in our markets the means of employing their own, besides realizing large profits for the enterprising individuals who engage in the business.

That there is good ground for these apprehensions is proved by the freely-expressed belief in Europe—entertained as fully in this country—that the quantity of goods to reach our shores from Europe, this year, is to be greater than ever known. Intelligence by every arrival from abroad confirms this anticipation.

In the midst of a war, without precedent in its importance and magnitude, we were in an exceptional position, demanding immediate and special legislation and public action. We are now commercially and financially in an exceptional, and not a normal, situation. The speculation in gold, which has cost the country nearly, if not altogether, a thousand millions of our money, we failed to nip in the bud. Let not this new movement at our expense be allowed to gain like strength and do us like injury.

This subject is thus dwelt upon, and might with advantage be more distinctly set forth, because it bears with special significance upon the future ability of the country to pay taxes, to maintain public credit, and, of course, upon the increase of national wealth and power.

It is the policy of European governments to keep wages low, that they may manufacture for the markets of the world. England holds a million of her people in pauperism, constituting a reservoir of cheap laborers from which she may recruit the ranks of labor as they become thinned by overwork, ill feeding, and bad lodging. Four millions more are in a position to be thrown on the parish, on the kindness of their countrymen, or on the charity of distant nations, upon

occasions of bad harvests or of commercial revulsion. Would it be politic or humane to reduce our laboring population to that condition? Would it be economically wise? Would it add to our national strength? Can any man who understands the true interest of the country wish it?

We cannot wisely blend the European system of industry with our own. They can no more mingle than oil and water. The producing classes here have risen already so far in the scale of intellect and knowledge that they cannot be forced back. Our policy is not to legislate our people down; it is rather to guard our markets, and prevent access to them but on such terms as cannot injure our working people nor lessen our productive powers.

European manufacturers can at all times furnish a limited quantity of goods at less than half the amount of our prices. If they could furnish one-fourth of our consumption at those rates, it would not be good policy to take them, because it would be far less difficult to pay for what would supply our entire consumption, furnished at home by our own labor, than for one-fourth imported from abroad. It is easier to purchase eight hundred, or even a thousand, millions of home productions than to pay for three hundred millions' worth brought from Europe and Asia.

It is a great temptation to men in professional life—men living upon annuities and salaries—to supply their wants from cheaper markets; but they have their advantage, too, in living where all labor and all services are compensated upon a higher scale. The system of labor and compensation, which make our prices, is the one to which they belong, and it should not be thrown into confusion for the benefit of a few. The agricultural, manufacturing, and mechanical classes must be kept up, if we keep pace with the civilization of our day, but more especially if we aspire to lead. If our consumption of food and clothing, and other necessities of life, is maintained at the present standard of comfort and convenience, four-fifths, at least, must be the products of our own skill and labor.

We are, then, under the necessity, as a civilized people, of maintaining a vast system of manufacturing industry. We cannot do this if half, or even a fourth, of our population patronize foreign labor, instead of their own. We have such advantages for manufacturing, from the aptness of the people for improvement in the production of the necessities, higher comforts, and luxuries of life, that no risk is incurred in looking to the skill and taste of our people for a full equivalent for everything that Europe can send us. We can then obtain, to the fullest extent, whatever is needed, even though we have nothing to export that is wanted abroad. Our manufacturers have already furnished ample evidence to warrant our confiding in them. If we tax their capacity to double the extent they will respond; and when they do, we shall be more able to import than we are at present.

It has often been alleged that our manufacturers are making undue gains at the expense of other classes of society. This belief can only be entertained by those who have not had sufficient opportunities of observing the exact progress of manufacturing industry among the people who have carried it on. Lowell and Lawrence and many other manufacturing towns exhibit striking evidences of wealth. But divide that wealth among all who are engaged in it, and it will be found to yield a sum for each one interested not much, if any, larger than would result from such a division among an equal number of western farmers. The people of New England know that there is strength and success in combining their labor and their money for great purposes. The capital invested in these great establishments is vast; it is the saving of more than half a century of industry. They have found that as their wealth grows by manufacturing, their real estate keeps pace by the market which is afforded to their farmers.

And although the people of Massachusetts have to bring from the west all

their breadstuffs, their improved land is, according to the census of 1860, worth on the average \$57 per acre, the same as the superior soil of New York. So wealth, wherever the whole productive power has been developed, will be found to be divided fairly between the owners of the land and the workers of the manufacturing factories. The distribution of wealth is moving westward. It has already traversed New York, New Jersey, and Pennsylvania, and it has made large progress in Ohio, and not a little in Indiana, Illinois, and Missouri. Let not this westward progress of science, civilization, and abundance be disturbed and obstructed by the watchful efforts of merchants and capitalists who wield for their own benefit the bones and muscles of the working-men of Europe.

It may seem that the wealth of the eastern manufacturers is greater than it is, from the large sum of the product as valued for the market; but it must not be forgotten that from this sum is to be taken the cost of the wool, the cotton, iron, steel, leather, and a vast number of other articles of raw material, all of which they have to purchase, together with at least one barrel of flour yearly for every hand engaged in manufactures and one for each member of his family.

It is very certain that the whole clear profit of the manufacturers would not pay two per cent. upon the amount thus invested in the United States during the last fifty years. We have before us all the results of success, but the census of losses would be fearful to contemplate. On the whole, the manufacturers have done far more for their country than their business has done for them. More clear profit has been made in the United States by foreign manufacturers than by our own. The productive power of the country has been marvellously developed; but a very large proportion of the persons who have been engaged in this have either lost their whole estate in their efforts after success, or have worn out their lives in establishing an industry which only became profitable to their country and those who succeeded them. If the history of manufacturers were written with a view to exhibit their misfortunes, it would or should remove every suspicion of extraordinary profits. Their profits are only large two or three years in ten; for two to four years they are small; and they seldom escape ten years without years of heavy loss. At least half the time is made up of years of anxiety and care.

If we are to attain the highest destiny of which, as a people, we are susceptible, we must be one nation industrially as we are territorially. If our economical policy had belonged wholly to the States, as such, the nation could never have developed its present productive power. So now, if, as a people, we indulge territorial prejudices or class jealousies, we shall check progress, and become a prey to the cheap labor and cheap capital of Europe. Let our people not fail to remember why that capital and labor are cheap. The working classes are so inadequately paid that more, much more, than a due proportion of the proceeds of their labor goes to the capitalist; nor to remember that in Great Britain especially, and more or less in other manufacturing countries, the theory of industry is not to add to the comfort and welfare of the working classes by promoting a full exchange of their products among the whole people. Employers there purchase labor at the lowest price at which it can be obtained, and aim at foreign markets to obtain the largest return possible in money or raw materials. To manufacture for a foreign trade in rivalry with all other countries makes it necessary to keep down the laborer and the price of labor, his only commodity, to the lowest point. There are at least fifty millions of people in Europe who would require thirty dollars each yearly to make their condition equal to that of our working classes in this country. If the public and industrial policy of European countries were so changed as to give that additional sum to those of their own people who need it, they would have a market for their products of fifteen hundred millions of dollars in addition to what they now command, and nearly, if not altogether, equal to all their foreign trade, certainly of far greater importance to the interests of humanity.

There should be no struggle to bring down wages ; rather let it be to preserve our markets and our home system of labor from being broken down by a system which has taken such deep root in Europe, but which should have no more toleration here than serfdom.

The obvious policy of our foreign trade should be not to admit foreign manufacturers to the privilege of our markets on better terms than our own enjoy. This is a policy under which every class of our people would prosper, and our taxes would prove a far lighter burden than the oppressive competition which has been so long endured with European cheap labor. Whatever may be pretended or asserted, there is no error of fact or doctrine in this. It is as well known as any other European fact, that wages there have long been less than half what they are here ; it is as well known that the disparity now is greater than ever, with our general range of prices still bearing the same proportion to the price of labor.

Admission to our markets is, therefore, the aim of all manufacturing people, to make their sales, but not, of course, to take our high-priced for their cheaper goods.

As we cannot obtain a supply equal to a value of two thousand millions yearly, which our home industry now furnishes, from all the world, we must maintain a system of manufacturing able to furnish at least four-fifths of our wants. It is a conclusion from which we cannot escape, that if we would obtain commodities manufactured at the cheapest rate at which they can be made here, and of the best quality, we must give our support to home industry. Our manufacturers have made such progress in their several arts as enables us to confide in their ability to meet adequately all wants and all tastes. They have already far surpassed their foreign rivals in some of the most difficult departments ; they can soon equal them in all if fairly sustained.

These remarks are not offered with the object of recommending very high duties. The subject is not regarded from that point of view. It is as well known as any other fact, that the rate of wages is more than double as high here as in Europe. It is known that our working classes have more power to exact high wages here than they have there. It is not necessary to discuss the question as to the propriety of their exercising that power. They are clearly justified by the theory of our political system. Acting upon that, they demand and are receiving daily wages at these high rates. All other prices here are now adjusted to this advanced rate of labor. Our people have long since acceded to a higher compensation for labor than is given elsewhere. Interested parties at home, who were consumers and not producers, and who, from various reasons, were not willing to pay the enhanced prices for commodities corresponding to the rate of labor, declared in favor of patronizing the cheap labor of Europe, and opposed all efforts of the government to place the working classes at home in fair competition with the foreign, by fixing such duties on foreign commodities as would bring the foreign and domestic manufactures to equality in our markets. It did not seem to be understood that it was mainly a question of competition. It is very plain, however, that if two manufacturers of the same article are beside each other, and looking to the same market, one of whom can obtain labor at less than half what is paid by the other, the one employing the cheaper labor can make a double profit and take all the business. It is just as clear that it makes only the difference of transportation, if the cheap labor is at three thousand miles' distance. The hardship to the working man and the employers is not less, to be crushed by cheap labor thousands of miles away, than in the same city. The evil to the country is very much greater.

The rigid principle of international trade should be that, all things being taken into account, the working classes should, by proper precautions and legislation, be placed in fair and strict competition in each other's markets. Even

this principle would very often operate harshly, and it would be the duty of any government to save its own citizens from injury in cases of emergency. In every country the welfare of the people, and especially of the working classes, is a far higher consideration than cheapness.

At all times, and in all circumstances, the first consideration in national policy is human welfare—the best interest of the citizen. If it be the best interest of our people that wages shall be reduced, that end will be rapidly achieved by the admission of the products of foreign cheap labor without levying duties sufficient to counteract the difference in the cost. It cannot be done, however, without producing such a cry of distress as will compel the legislature to cut off a competition so disastrous. It touches to the quick every interest of employer and workman—the living and labor of the poor. Much less can the country endure it without serious injury to its productive power. In the long struggle to which our fluctuating policy on this subject exposed our industry, it has often happened that the influx of cheap goods has injured the producing classes for the temporary benefit of other classes to the amount of hundreds of millions in a year. It must be perfectly evident to those who are well acquainted with our unsteady and variable commercial and industrial policy for the last fifty years that our revenue, external and internal, must fall short of what is required if domestic industry is to undergo hereafter the same variable and mistaken course. The question should not be merely what rate of duty shall be imposed on this or that commodity, but what duties and what regulations shall save our working classes from such a competition as must be oppressive to them and injurious to the country. If our consumption of certain articles be fifty dollars yearly for each person, the importation below home cost of a quantity equal to ten dollars for each person might, by its effect in reducing prices, inflict a loss of millions, and prevent the production of a quantity, however much needed by consumers, equal to twenty or more dollars for each person.

The mischief of its irregularity is intensified by other peculiar characteristics of our foreign trade. The people are large consumers; our prices have always ruled high; our markets have been consequently the most prized by foreign merchants and manufacturers of any in the world. Their determination to avail themselves of these advantages is shown by persevering efforts to sell goods here, to evade our fiscal regulations, and to mislead our custom-house officers at any hazard. But we are not only large consumers of goods, selected and imported for our own use by our own merchants; upon the top of all these we are stuffed to more than repletion with foreign commodities thrust upon us, forced into us by sales at auction. Our own merchants, for every thousand dollars' worth of goods selected and imported for our use, are obliged to purchase another thousand dollars' worth sent hither to be sold at auction, to protect themselves and prevent the market from being wholly broken down. As it is now, our foreign trade is the master; it controls and overrides what is in its way. It should be thoroughly controlled and made subservient to national interests and considerations.

The trade between two or more nations can no more be conducted upon abstract propositions or unbending rules than the trade between individuals; what is for the real benefit of the people of each nation should control the whole movement. Every government should first look after the interests of its own people; it should see that no harm comes to them from within or from without; and the highest interests of all nations can only be attained by that policy which is best for each.

France and Great Britain, after long efforts to obtain advantage of each other in trade or smuggling, sat down together, like two sensible merchants, to consider how far they could exchange commodities without injury to their respective people, and, after a patient and careful exchange of views, and an examination

of their respective productions and wants, occupying years, they agreed upon the terms of their future trade, carefully considering what benefits could be attained on both sides, and as anxiously shutting out that competition which might prove injurious to industry on either side. Both parties were conservative. It was a study of mutual benefit between men who understood the respective interests at stake. It was not hastily nor unskillfully done.

This great measure, so cautiously and carefully perfected with reference to the internal industry of each nation, has been eminently successful. It is one of the most important lessons upon international trade ever given to the world. It teaches nations not to rely upon the generalities of their respective tariffs, but to study together how far their respective interests may be promoted by a mutual trade, in which nothing injurious to their various industries should be conceded, and everything allowed which could be a mutual benefit. In such a commercial treaty, to which our country might be a party, the first step on our part would be to save our laboring classes and their wages, and so of other interests which might be endangered.

The fact that as a manufacturing people we cannot compete with the cheap labor of Europe and Asia is often mentioned reproachfully, as if in disparagement of our activity, our capacity, or our enterprise. Such reproach exhibits a want of consideration. All manufacturing nations have certain branches in which, owing to peculiar circumstances, they excel, but in regard to the whole range of those productions which are most necessary to civilized life, no nation excels ours, and in fact very few come near it. In the substitution of machinery all others are far behind us, and our progress in this respect is far more rapid than is to be seen elsewhere. It is no reproach, nor does it furnish a semblance of reproach, that we cannot work as cheaply, nor manufacture as cheaply as is done in most other countries. It is no reproach to us that we pay for a day's labor from two to four times as much as is paid in Europe. It is no credit to other nations that they pay but one-fourth or one-third as much for a day's labor as is paid here.

The simple and intelligible fact that it is labor which constitutes from one-fourth to three-fourths of the cost of much the largest portion of the commodities produced in every country, is one that should finally solve the whole question of competition. It is not desirable that wages in this country should be reduced to the European standard. Three-fourths of our people are directly or indirectly producers, and they are paid for their productions or their labor two to four times as much as working people receive abroad. Is it impolitic to pay such wages, or is it a misfortune? Neither one nor the other. It is a natural and proper result of our political and industrial system. Whatever fluctuations may take place, our wages must ever remain higher than in more populous countries under monarchical or aristocratical governments.

If our country offers no advantages to counteract the cost of manufactured commodities enhanced by the high price of labor, it might furnish ground of complaint on the part of those who enjoy no benefit directly or indirectly from high wages. The clamor sometimes heard for cheap goods from abroad is virtually a clamor for low-priced labor; it is a clamor for the European system of labor instead of the American; it is a clamor for a change which cannot be made, for the people will not submit to it; it is a clamor for a change which, if it could be made, would reduce our working classes to the utmost depths of distress before it could be accomplished.

It should be kept in mind that this foreign competition does not inflict damage by the quantity of commodities it furnishes, but by their price. All Europe could not spare us what we require of articles which are there made much cheaper than they can be furnished here. We make, as already mentioned, about nine-tenths, and are furnished with one-tenth of our consumption from



abroad.\* The trouble comes from a law of prices which results in this, that the surplus only of the production of foreign nations is sent here to be sold. Foreign manufacturers having frequently more goods than they can sell in their own markets at fair prices, send them to this country, our prices being the highest in the world. If this surplus were forced on the markets where it is produced, it would break them down. It is deemed better by these foreign producers to make forced sales in this country.†

\* The following table exhibits the proportion of our consumption of imported goods per capita for ten years :

Year.	Imports consumed.	Population.	Consumption per capita.
1852 .....	\$195,656,060	24,604,261	7.95
1853 .....	250,420,187	25,342,388	9.88
1854 .....	279,712,187	26,102,659	10.71
1855 .....	233,020,227	26,885,738	8.67
1856 .....	298,261,364	27,692,310	10.77
1857 .....	336,914,524	28,523,079	11.81
1858 .....	251,727,008	29,378,771	8.57
1859 .....	317,873,053	30,260,134	10.50
1860 .....	335,220,919	31,429,891	10.66
1861 .....	315,004,728	32,373,388	9.73
Average of ten years .....	.....	.....	9.98

† Great Britain, in her industrial policy, is pursuing the same mistaken, if not fatal, policy which was the blunder and final ruin of the slave States of this country. The owners of slaves, having command of such a vast power in cheap slave labor, pushed the production of cotton to an absurd and almost fabulous quantity. They competed with themselves in the English market, and enabled English buyers to force down the price until it reached rates so low as nearly to drive the cotton of Asia and Africa from the Liverpool market. They threw away this choice product of their soil, and this hard-earned product of negro labor, at less than half what it should have brought in justice to slave and master. Half the crops would have brought more money. Under the great temptation of cheap cotton, England made in cotton mills her largest investment in machinery, in defiance of a possible change in our industrial policy, which might very greatly reduce, if not nearly destroy, the value of that investment.

And British industrial policy pursued the same line with the owners of the slaves: they sent the cotton goods in unparalleled quantities through the markets of the world at such low rates as to check if not stop their production elsewhere, even in the cheap markets of China and the East Indies. To do this, the cotton-workers of England and Scotland were paid at rates which barely kept them from the abode of paupers. Thus the vast business of raising this cotton added nothing to the welfare of the slave, and the vast business of converting this cotton into the most valuable kinds of goods yielded no adequate addition to the comfort or welfare of those who labored in British cotton mills. Both classes were virtually slaves to the production of cotton and cotton goods.

In this case, too, half the quantity of goods would have brought the whole of the money: but it would not have so extensively embarrassed or broken down the manufacturer of cotton in the rest of the world.

Thus British policy is consistent with itself and with the past American cotton policy in other departments of its industry.

Great Britain is working her mines of iron, copper, lead, tin, and mineral coal with a degree of power and success which has no parallel. The quantities produced, used, and sent abroad over the world are almost incredible. The laborers in these mines receive only what enables them to keep out of the workhouse or off the parish. These metals, mined and manufactured at such rates, can, and indeed must, be sent in immense quantities to be disposed of in all markets at prices low enough to undersell the products of other mines. Great Britain has sold in the United States millions of tons of iron at half what it should have brought in justice to the labor that produced it, and is, by this policy, rapidly exhausting her mines without receiving value for them. A few capitalists are growing rich by selling commodities

the loom and the mines to the amount of millions sterling at very small profits, instead of

Neither is it the goods imported from abroad by our own merchants which makes this foreign competition so much dreaded, but it is the commodities sent hither by foreign manufacturers or merchants to be sold at the best price that our auction markets afford, which break down our markets and reduce the prices of goods here to such an extent as to inflict heavy losses and keep the markets in a state of fluctuation, dangerous and paralyzing to both trade and production.

If our manufacturers are producing articles for the ordinary consumption of the country, to the value of ten millions monthly, and foreign manufacturers are sending hither, though with that irregularity which characterizes foreign trade, to the value of about ten millions yearly, the effect on prices will be such as to reduce the rates of corresponding domestic articles in an amount equal to the whole value of the imported commodities.

If ten millions' worth of foreign goods are sold twenty per cent. below the price of the domestic, the loss on the latter will be twenty per cent. on over one hundred millions, or say twenty millions of dollars. In view of such injuries, industry and home trade are paralyzed. Men cannot form any reasonably safe estimate of their year's business. Enterprise is checked, and much of its power destroyed. A loss in the case supposed of twenty millions is inflicted on our home industry by the import of ten millions of foreign commodities.

It may be urged that the country has gained by this reduction of price and by the consumers being thus supplied, twenty per cent. lower than would have been paid to the domestic producer. If it be better as a general policy to patronize foreign laborers than our own; if it can be advisable to compel manufacturers to sell at a loss, or without a profit, and thus be compelled to discharge their laborers and give up their business; if it can be advisable to abandon our home markets to foreign manufacturers, and allow them to advance their prices upon us when we are wholly in their power—then such events may be regarded as beneficial.

Conflicting opinions on this subject have troubled our national legislation during its whole history; one is, that as we must manufacture or obtain at least nine-tenths of what we consume from our own industry, we should make that industry as effective as possible, that home competition may bring prices to that range which springs from the price of labor and other conditions peculiar to our country. Another opinion is, that as goods are cheaper abroad than at home, it is our interest, of course, to purchase where goods can be obtained cheapest. This is entirely plausible, and in some aspects true. If the cheap labor countries could stipulate to furnish us a full supply for the whole population at their lowest rates, of good quality, not increasing their price according to the magnitude of our demand, and take payment in all such agricultural products as are now consumed by our manufacturers, and further, that the terms should not be changed to our disadvantage, such propositions might be worthy of consideration, but certainly not of adoption.

The incidental advantages of manufacturing for ourselves are worth all the difference between the low prices abroad and the higher at home. These incidental benefits are, national independence and self-respect, growing intellectual

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claiming a fair profit upon thousands sterling, and allowing the laborer some fair advantage in the business. Neither the nation nor the laboring miners are profiting by the process. On the contrary, Great Britain is wasting her wealth in mines at a rate which will be lamented by a not very remote posterity.

And this is the competitor met by our working classes in our own markets—a competitor with capital enough and enterprise enough to make large sacrifices to obtain possession of a market so well adapted to her products as ours. English manufacturing and commercial policy will sacrifice the English working classes for the purpose of crushing our better paid laboring people. If our trade comes to a level with that of Great Britain, our working population will come to the same level.

activity, increasing enterprise and capital, greater progress in the common arts of life and in the fine arts, stimulus to the inventive faculties; but more than all these, and above them all, is the advantage of furnishing full employment to the entire body of the people. This benefit neither agriculture, nor trade, nor the usual mechanical employments can do. No nation can attain to its maximum of wealth which does not by its national policy furnish sources of employment for its whole population; no nation can attain its due development of wealth and power which does not work its own mines, going into the bowels of the earth as well as cultivating its surface. It may be stated more broadly: no nation can maintain a real independence, suitable self-respect, make due progress in civilization, and attain to that accumulation of capital needful to progress in the useful arts, unless it produces its own food and clothing, builds its own houses, makes its own furniture, provides for its defence by maintaining sufficient military and naval power, develops its own mines, and maintains a system of internal transportation and intercourse adequate to all the wants of its inhabitants, and unless by such means it affords employment to all its laborers, and full scope for all the mental and physical activities of its people. It requires a combination of such advantages to develop the power and resources of such a territory as ours, and such a people as occupy it. Our public policy has not reached these requirements. The country has prospered under a public expenditure of less than one hundred millions annually, all raised by duties upon imports, but enough has been learned from past experience, successes and failures, to warrant the conclusion that the people of this country cannot pay three hundred millions of national taxes, in addition to more than a hundred millions of State and municipal taxes, unless the whole resources of the country, including the whole power of its labor, are brought into full action. With a proper economical system, all these taxes will not be regarded as a serious burden; but, without such a system, they will become intolerable, and resort will be had to remedies injurious to national credit and reputation.

These and similar considerations are pressed now, because although our main purpose is to reform and improve our present revenue system, it will be of little avail that our system of taxation is the best which man can devise if the annual products of our industry do not furnish the means of paying it. If that industry is checked or paralyzed by competition with cheaper labor, or if kept in suspense by commercial fluctuations, which threaten prices so reduced as not to be remunerative, then the revenue must suffer in proportion to the pressure of the circumstances.

It is just as necessary in any wise system of national revenue to stimulate, sustain and increase productive power, as it is to impose taxes and distribute the burden with impartiality and skill.

It seems now to be an imperative necessity to increase the duties upon foreign commodities, competing with our own, especially in those departments of industry upon which we depend for more than three-fourths of our consumption. It is indispensable that these branches be kept in full vigor and active operation, lest if the home supply should diminish, prices both at home and abroad should be largely advanced.

The internal taxation has, in a large number of cases, partially or wholly neutralized the discrimination heretofore made in favor of our own laboring classes.

The high price of gold is failing now to exercise its past influence in the repression of over-importation. Imports are already immense, and all indications, as well as accounts, lead to the belief that they are to be large beyond all precedent. The gold duty is beginning to be no barrier, for the goods are sold at a great advance for currency, and our gold-bearing bonds become virtually the medium of remittance. Thus a door is opened by which commodities may

ed in upon us in quantities sufficient to reduce prices far below the rate our laborers can afford to produce them. This will diminish the revenue to an amount very far beyond the increase of the duties upon them.

It is not only necessary that the duties upon imports should be so regulated as to prevent our ports of entry from being flooded with goods not imported by our merchants with their full knowledge of the wants of the country, but that duties should be sent hither by foreign manufacturers and speculators, with the purpose of realizing a profit upon our financial position and of overrunning our domestic industry—that industry which suffers even when threatened, which we cannot afford to put in peril, much less to see overthrown, even if it should be so.

Our experience we have had in this country of the bad working of our present system, as organized under existing laws and as carried out in our courts, should force upon us the adoption of the European methods of levying duties. No such abuses can be practiced there as now disgrace our courts and defraud our public treasury. There revenues are raised by specific duties, not mainly but almost altogether. The British tariff contains 2 specific duties to 131 ad valorem duties. Belgium, which is one of the countries of Europe in proportion to its population—a country in which our departments of civilized industry are best blended for their mutual benefit—has 330 specifics in her tariff to 66 ad valorem duties. Our tariff has 19 ad valorem duties and 478 specifics.\* The Belgian tariff presents a well-deserving the attention of our legislators and statesmen. It has a schedule by which linens coming from France are charged with a specific duty until the quantity of four millions of pounds weight has been imported; if the amount imported exceeds that quantity, and does not exceed six millions of pounds weight, the duty is increased upwards of fifty per cent.; and if the quantity exceeds six millions of pounds weight, all imported within that limit is charged double the rate of the first four millions. The flax manufactures of Belgium are one of the most important of its industries, and this paternal government has taken this method of saving their markets from being overwhelmed with French linens, to the injury of their working

The schedule of proposed changes of duties and provisions in the tariff will be submitted by the commission in connexion with this report, which is commended

to the consideration of Congress. The total customs duties collected under the British tariff in the seven years previous to 1862 averaged twenty-one millions sterling per annum, of which only £280,000 were ad valorem—exactly 1½ per cent. of the whole. Under our tariff act of July 14, 1862, and the act of April 29, 1864, the ad valorem duties collected in the two fiscal years, 1863 and 1864, were 40 per cent. of the total. The following table exhibits the proportion of ad valorem rates of duties in the tariffs of the leading commercial States.

	Specific.	Ad valorem.
Spain.....	382	131
.....	330	66
.....	998	40
.....	564	57
.....	221	4
.....	121	5
.....	99	3
.....	99	
.....	159	1
.....	132	
France.....	147	
.....	73	17
.....	48	1
.....	136	
United States.....	478	2,439

to the consideration of the Secretary of the Treasury and of Congress, as indicating, in some degree, what the peculiar condition of the industry, foreign trade, revenue and financial position of the country seems to demand.

The indications, however, are very strong, that some prompt action of Congress may be required for the relief of the country before any revision of the tariff can be effected. The great temptation to send goods to this country, and the great movements in that direction already commenced, has attracted attention abroad, and given us full notice of the danger. If this movement should continue, it may become not only expedient but necessary to interpose special temporary legislation to check commercial movements which, however beneficial to those who devised and are carrying them out, cannot but bring disaster upon our working classes, and heavy loss upon our revenue.

Respectfully submitted for the commission :

STEPHEN COLWELL

Hon. HUGH McCULLOCH,  
*Secretary of the Treasury.*

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SPECIAL REPORT NO. 11.

*Report of the United States Revenue Commission, in respect to copper mining and manufactures.*

OFFICE OF THE UNITED STATES REVENUE COMMISSION,  
*February, 1866.*

It has long been the policy of the country to impose small duties on imported copper and copper ores, much lighter than on iron and other coarse metals.

This policy formerly rested upon considerations sound in themselves, and important to other industrial pursuits, and were not found injurious to copper mining or the smelting of copper until it became necessary to raise revenue by internal taxes. The present internal revenue laws seem to have greatly depressed the copper-mining interest, and to have converted the former profits of mining in the Lake Superior country into actual losses, under the greatly-increased price of labor and supplies, and, it is claimed, will ultimately destroy the business, unless in some way relieved.

The effect of the internal taxes, in increasing the cost of production, according to the sworn testimony herewith submitted, much more than neutralizes the protective effect of the duties on imported copper and copper ores, and indeed, as is claimed, amounts to and absorbs what would be a fair profit. In the opinion of some of the witnesses, not less than fifteen per cent. of the entire cost of copper is paid to the government in direct and indirect taxes, while the duty on foreign copper ore is only five per cent., and on ingot copper but two and a half cents per pound.

There are two methods of affording relief—one by taking off all internal taxes from the copper, and all the supplies necessarily used in its production, so as to leave the small duty on foreign copper and copper ore protective; the other is, by increasing the duty on foreign ore and copper to such an extent that the increase shall be equal to the direct and indirect internal taxes. The former may be adopted so far as the direct excise tax on copper is concerned; but if it be applied to the taxes on the supplies and articles consumed by the miners, it would greatly reduce the revenue, (as these supplies are consumed all over the country,) and would be found wholly impracticable.

The commission, therefore, recommend that all excise taxes on domestic copper be repealed; and that the duties on imported copper and copper ores be ad-

vanced to a moderate extent, or sufficient to relieve the copper-mining interest of the United States from the depressing effects of the internal taxes upon their supplies; and thus give to it as good a standing in our own markets, with reference to foreign competition, as they had before the present taxes were imposed.

The increase of duty on foreign copper ore will not injuriously affect the smelting business of the country, provided a corresponding increase be placed on ingot and bar copper.

In support of these views, the commission would respectfully refer to the testimony herewith annexed.

Respectfully submitted for the commission :

DAVID A. WELLS.

Hon. HUGH McCULLOCH,  
*Secretary of the Treasury.*

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SELECTIONS FROM TESTIMONY.

*Testimony of E. T. Loring.*

NOVEMBER 11, 1865.

1. State your name, residence, and business?—My name is E. T. Loring; residence, Boston; at present my business is connected with the National Dock and Warehouse Company. I was formerly an importer, and connected with Lake Superior copper mining.

2. Are you acquainted with the manner in which the copper interests of this country are affected by the government tax and also by the tariff?—I cannot say that I am. The high tax has been laid on since I retired from the business. I think our interests will be very much affected by the importation of foreign ores, at a low rate of duty. There are two companies in this country—the Virgin Point Company at Baltimore and the Cuba Smelting Works—who import and manufacture foreign copper, and they are inclined to undersell the manufacturers of Lake Superior copper.

3. How long have these works been using the imported ore?—Fifteen or twenty years.

4. What objection is there to the use of imported ore now more than formerly?—Owing to the increase in the price of labor and the higher wages paid by the producers of iron and coal, the copper miners cannot retain their workmen at a lower standard of wages, and cannot compete with the copper manufactured from imported ores. I do not know whether the importation of ores has increased lately. It may have increased during the past year.

5. What reasons would you urge for an increase of duty upon imported ores?—I would urge it as a protection for our home production. It would give a greater stimulant to the production of copper from our own mines. Formerly large amounts of copper were exported from this country to France. It was used there in the manufacture of articles requiring a finer and more pliable kind of copper. That exportation has now ceased, and copper ores are imported from Chili, from Africa, and from Cuba. Considerable ore comes also from California. The average amount of copper in the Chilian ore is about twenty-five per cent.; that from California is about fifteen per cent.

6. What are the rates of freight from Chile?—From \$12 to \$20 per ton; seldom less than \$12, and sometimes as high as \$20.

7. What other articles do the vessels bring in from Chili?—Hides, wool, and bark, principally.

8. What duty do you think is necessary to equalize the condition of our own product with that of the imported?—Formerly we thought two and a half cents a pound would be sufficient; but now I should think we ought to have from fifteen to twenty per cent.

9. Are there any indications of the exhaustion of the supply of copper in the Lake Superior region?—In some instances there is evidence of the exhaustion of the copper in particular mines. The Minnesota mine has shown evidence of a diminished product. It has pretty much run out in one vein. As to general exhaustion, I do not think there are any indications of that, and I would impress upon the government that this is an interest deserving its care and protection. On the whole, I think there are no indications of general permanent exhaustion. I think there yet remains a vast amount of mineral wealth in the copper regions of this country, which requires the protection we ask from the government. A commission of English miners visited the Lake Superior district last summer, and the general conclusion which they are understood to have arrived at was, that the copper there was practically inexhaustible.

*Testimony of Charles Emery.*

10. State your name, residence, and occupation?—My name is Charles Emery; residence, Boston; business, treasurer of the Pewabic Mining Company.

11. What is the present condition of the copper manufacturing business in this country, and the manner in which it is affected by the revenue and tariff laws?—Owing to the high price of labor, the cost of production is materially enhanced. It is impossible to compete with the ores produced from foreign mines at the present rate of duty. It is well known that copper ores are now produced in other countries and are imported and sold here at prices less than they can be produced from our own mines. The exportation of copper during past years has been quite large, and the foreign demand for our ores has been constant and regular till within the last two or three years; and it has now fallen off so that we cannot export it even at cost. This exportation was principally to France and Germany, in the common form of ingot copper.

12. What has been the history of your own mine in connexion with this subject?—Our mine, the Pewabic, was first worked in 1853, but no production of any amount was obtained till 1856. From that time it has increased up to the highest product, of about 1,000 tons in one year. After the commencement of the war, the great scarcity of men and some changes in the richness of the vein caused it to run down.

13. What was the production of all the mines during the last year in the Lake Superior region?—I am informed, and believe it is true, that the product of last year was in the neighborhood of eight thousand five hundred tons (two thousand pounds to the ton) of mineral copper, containing about seventy-five per cent. of pure copper. This statement refers to rough copper as reported by the different companies, that being the amount sent by them to the smelting works. It contains in its rude form about seventy-five per cent. of pure copper. There are smelting works now in the Lake Superior region; also at Detroit, Cleveland, and Pittsburg. The ore, or rather the native copper, as it is called, is smelted at these works, and then it finds its way to the general markets. The above-named works smelt only the native copper. The Boston, Bergen Point, and Baltimore works smelt only the ores. Smelting works have also been recently established at Ontonagon. Whether the ore or the native copper be smelted, the product is ingot copper, which, however, may differ in quality. The native copper is quite uniform in quality. I know of no mine on the American side of the lake but that produces the native copper. On the Canada side the ores are all sulphurets, and the copper produced is all from sulphuret ore. All the mines in this country, except those at Lake

rior, are sulphurets. Copper is produced from sulphurets in California, Tennessee, Virginia, North Carolina, Maryland, Pennsylvania, and New Jersey.

4. What was the product of the mining region of Lake Superior, as far as you know, anterior to last year?—I am informed that the shipments of native copper from the Lake Superior region in 1858 were 3,500 tons; in 1859, 4,200 tons; in 1860, 6,000 tons; in 1861, 7,400 tons. The amounts of rough copper shipped were, in 1859, 6,041 tons; in 1860, 8,614 tons; in 1861, 10,337 tons; last year, 1864, it had fallen off to 8,474 tons. I think it was the highest in 1862, and fell off in 1863.

5. What, in your opinion, is the cause of the decline in the amount produced and shipped?—The want of encouragement to produce, arising from the small profit, and the scarcity of labor, and its consequent high price in the mining region, have been very serious causes of the falling short of the product.

6. Has there been any giving out of the mines there—any indications of exhaustion?—Yes, one vein, the Minnesota, which has been cited as an indication of exhaustion.

7. What is the cost of producing a ton of copper at Lake Superior now and formerly?—In 1859 and 1860, previous to the war, it cost from about fifteen to sixteen cents a pound on smelted copper laid down in New York. This estimate does not include interest on capital, &c., but covers only the cost of labor, smelting, transportation, and incidental expenses.

8. What did the ingot copper sell for in New York at the time you refer to?—There was a great range in prices. The price in New York during the year 1859 ranged from twenty-five cents a pound in February, which was the highest, down to twenty-one and a half cents in June, which was the lowest. It then advanced, and closed in December at twenty-three cents per pound. In January, 1860, it was twenty-four and a half cents; declined to twenty-one and a half in June, and remained at about that price until December, and closed at twenty. In January, 1861, the price was nineteen and a half, and continued at that until June. In July it was seventeen and a half, advanced to twenty and a half in October, and closed in December at twenty-five.

9. What is the cost now of laying down the ingot copper in New York?—Near as I can judge, it will be from about twenty-eight to thirty cents per pound. The year's accounts are not made up yet, and that is only an estimate.

10. Does this estimate embrace the same elements as the other for 1859 and 1860?—It does, and excludes interest on capital invested.

11. What is the ingot copper worth in New York now?—It is worth thirty and a half cents per pound, which is the highest point the market has reached this year, except at one time a small quantity sold at thirty-three. The average price during the season has been from thirty or thirty and a half to thirty-two cents—ranging from twenty-eight up to thirty-two.

12. Have the copper companies declared dividends this year, as far as you know?—Two companies have declared dividends this year upon the business of the past years. No company that I know of has declared dividends upon this year's earnings. The time for declaring dividends for this year is past. It usually is in August. My opinion is, that the companies cannot declare dividends upon the business of this year, because they have made no profits—or not sufficient profit to warrant the declaration of dividends.

13. How are the stocks of these companies now held in the market in comparison with the prices obtained in 1859 and 1860?—The best of them sell at less than half, or about half, the prices of 1863. Of younger mines, or those which have more lately been commenced, the stocks are unsalable, or sell at a very low figure. Stock in new companies which was salable last year is not salable except at a great sacrifice, the amount of which varies with different companies. Some of them may have borne a more or less fictitious value.

14. What proportion does the value of the best stocks now bear to the cost



or to the amount of funds put into the company?—Some of the companies have made large amounts of money in former years, and have expended it upon the property without making assessments upon the stockholders. Many younger companies which have levied heavy assessments have expended the same upon the property, and are now obliged to discontinue operations on account of the high price of labor and the low price of the product.

25. Do you suppose that a duty of fifteen per cent. upon the imported ores would have the effect of relieving this branch of industry and making it remunerative?—It would certainly have that tendency. It would put the cost of the foreign ores to the smelters nearer the cost of producing by us.

26. Is there any complaint of the internal revenue tax upon copper, or the manner in which it is assessed?—There is a complaint that the assessment is required monthly, and based upon the market value of the copper during that month. The companies are required by the law to make monthly returns as well in the winter as in the summer, and to pay their taxes upon the amount of copper returned by the smelters; and that tax is based upon the market price in the eastern markets at the time, when, in fact, the copper upon which the tax is paid is not sold, and cannot be sold at any such price; and when the copper reaches the market in the spring, it is usually sold at a great reduction from the assessed price. The prices are naturally higher in the winter, owing to the stoppage of lake navigation, and the consequent cessation of the supply of copper from the mining region, and when it comes in upon the opening of navigation there is a decline in prices, owing to the large stock brought upon the market. The consequence is, that the companies, in fact, pay a larger tax than three and six-tenths per cent. upon the amount of their sales of copper. We propose as a more just arrangement, that the tax shall be paid by the companies at their offices—and all of them, I believe, have their offices in one of the eastern cities—upon the returns of their sales of copper, after those sales have actually been made. The copper being produced at present, as I have stated, with little or no profit, and sometimes with a loss to the companies, owing to the high price of labor and the want of adequate protection, the government tax becomes an additional loss to the companies. We do not object to the government tax, provided we are protected, as other mining interests are, against foreign competition. The duty upon copper ore is the same now that it has been for ten years past, and the same since as before any tax was imposed by the government, and the same as when the price of labor and other expenses were fifty per cent. lower than at present. The companies also indirectly feel the taxation upon other articles, by the increased cost of their supplies, which increases their burdens, and is equivalent to an addition of fifty per cent. to their expenses. These supplies were formerly furnished at fully fifty per cent. less. The powder, candles, steel, and other articles used, have all paid, in the first instance, at least one and possibly several taxes, and the copper which results from their consumption is thus made to pay an additional tax, so that the burden of taxation, in the end, becomes extremely onerous. The cost of machinery and repairs is also greatly increased. The mine which I represent purchased machinery last year to the extent of \$40,000, for the sake of increasing our product, and the government tax on this was \$2,000. This Lake Superior interest has been built up almost entirely by eastern capital. It has grown up from a profound wilderness to be comparatively a populous region. There were at first no means of getting copper from there, or supplies up, except by land carriage, at great cost, and this state of things continued until the opening of the St. Mary's canal.

27. What is your opinion as to the extent of the resources of the mining region about Lake Superior?—The country has been open for one hundred and fifty miles in extent, and copper has been found in every well-developed vein. It is a common saying up there that no one knows the value of the copper de-

posits, as they are just in their infancy. New discoveries are constantly being made, and some of the more recent ones are perhaps the most valuable; but no attempt has been made to develop them lately, owing to the unremunerative state of production, to the want of encouraging promise in prosecuting the work, and to the generally depressed condition of the copper-mining interest.

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DECEMBER 13.

*Subsequent examination of Mr. Emery.*

I wish to correct the testimony which I gave before the commission on the 11th of November last, so far as it states the amount of protection which is necessary to equalize our condition with that of the sellers of foreign ores and copper. After a closer investigation of all the facts, and a calculation of the actual cost, and comparing the tax and tariff, I conclude that the duty on the imported article should be six cents a pound on the ingot copper and twenty-five per cent. ad valorem upon the ores, in order to give adequate protection.

I would again also particularly urge the injustice of requiring returns and payment of taxes upon our copper at the smelting works, before actual sale is made. I think the returns required should be of the sales which are actually made, where the ownership is changed. This I consider an important point.

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NOVEMBER 11.

*Testimony of Frederick Womrath.*

28. Please state your name, residence, and business.—My name is Frederick Womrath; residence, Philadelphia; and I am treasurer of one of the Lake Superior mining companies known as the "Amygdaloid Mining Company."

29. Have you any statement to make in regard to the present condition of the copper-mining interest, and the manner in which it is affected by the tax and tariff laws of the country?—The present tax system has greatly increased the cost of living, the cost of mining supplies, of machinery and repairs, and of labor; and as there has been no corresponding increase of the duties upon competing foreign products, the result has been disastrous to the copper-mining interests.

30. Has the production of your mine increased during the last few years?—We commenced operations in 1860, and since then we have steadily increased our product. We have, however, done it at a heavy expense, particularly during the last year. We have in a great measure forced the work upon the mine, and thereby increased the product. During the last winter especially we produced copper at a loss.

31. At what do you estimate the cost of the copper which you have sent forward this summer?—This year, as near as we can estimate, our winter product cost us about forty-four cents per pound. At the present time it is costing us about thirty-two cents. In this estimate I do not allow anything for interest on capital invested. We include merely the cost of labor, supplies, freight, smelting charges, &c.

32. When was the copper sold which was produced last winter, and at what price?—It was sold in June and July at from twenty-eight to thirty cents per pound, which involved a loss of from fifteen to seventeen cents per pound. That which we produced this summer is coming forward from month to month, and cost us about thirty-two cents, for which we are now getting just about cost.

33. At what rate were you taxed on your last winter's product, and when?—

We did not pay our tax until the copper was sold, because we do not smelt at the mines. We smelt at Detroit, and the copper did not reach the smelting works until after the opening of navigation. Then the amount of copper produced was returned, and the tax paid accordingly.

34. Has the importation of foreign copper ores increased of late years?—That I could not say. My own inference has been that it has increased, from the circumstance that the Baltimore and Bergen Point companies have as much copper to sell now as they had before the war, when they got their copper from North Carolina, Virginia, and Tennessee.

35. Were there any importations of copper before the war, and to what extent?—Yes, sir; but I do not know to what extent. I have never kept account of the markets.

36. How does the present value of copper-mining stocks compare with their former value?—As compared to the values of 1863 and 1864, the best of them are not more than half as valuable, and those of the new ones which are more advanced, and yet not dividend-paying, are valued at one-third of what they were, a reduction of two-thirds of their former value; and those which have been started within the last two years have mere nominal prices. The general copper production is now in a very depressed and unremunerative condition, so much so as to deter capitalists from investing in that branch of industry.

37. What remedy do you suppose could be applied?—Increase the duty on importations of ores and refined copper.

38. To what extent?—In consultation with parties in Philadelphia, the opinion generally expressed was that the duty on ores should be raised to from fifteen to twenty per cent., and on refined copper to from six to eight cents per pound, instead of two and a half cents, as it is now.

39. Have you any other suggestions to make in reference to this subject?—No other suggestions occur to me. I can only concur in the evidence already given by Mr. Loring and Mr. Emery.

*Testimony of Charles C. Evans.*

40. Please state your name, residence, and business?—My name is Charles C. Evans; residence, Boston; business, treasurer of the Franklin and Concord Mining Company.

41. Have you any statement to make in regard to the manner in which the copper-mining interests are affected by the tax system and the customs duties imposed by the government?—I can say, in general terms, that I concur in what has been stated by the other gentlemen who have been examined. I believe that these interests are very much depressed; that stocks are greatly reduced in value; and that investments in copper mines may be considered substantially a loss if the present condition of things should continue. As to depreciation of the value of stocks, the Quincy company, considered the best on Lake Superior, has declined from one hundred and five to forty-nine, and from paying dividends of \$16 a share in 1864, they are now compelled to pass their dividends. The Franklin company, of which I am treasurer, has suffered a decline in its stock from \$62, at which it sold a year ago last spring, to \$36. The Pewabic mine stock has declined from \$75 to \$34 50.

42. Has not a large proportion of this decline been owing to the decline in gold?—I think not. I think it has been owing to the fact that it has been understood that the mines are not making any money. The decline in gold has affected the market price of copper, but it has not enabled us to get our labor and supplies any cheaper.

43. Where does the copper produced at the Lake Superior mines find its ultimate market?—It is brought to New York and Boston for sale, and it is worked up by different manufacturing concerns in this country. Very little of it has

been exported within the past year or two. I have understood that formerly a good deal of it was shipped to foreign countries. One statement of Mr. Emery's I do not fully agree with—that is, as to the cost of producing copper at present. I think that the average cost for the present year to these three companies which I have mentioned, will be fully thirty to thirty-two cents per pound, and that the copper they now produce is being sold without profit, or at a loss. The average production of the Franklin mine has been sold at an average of not more than thirty cents per pound. These sales were made at an actual loss upon the amount of money laid out for labor, supplies, transportation, commissions, &c., without estimating anything for the interest on the capital invested.

44. What change in the law do you desire for the protection of your interests?—We desire to have the same proportion of protection afforded to copper as is afforded to other mining interests, such as iron, lead, and coal. I think from fifteen to twenty per cent. ought to be imposed as a duty upon imported ores, and six cents per pound would be little enough on refined copper, and that would not be up to the percentage of duties on other metals.

45. Do you think that such a change in the law would restore the prosperity of the copper interests?—I do; and I think such a change in the law would increase the population of that district, the upper peninsula of Michigan. I think it would add greatly to the wealth of that portion of the State, and would cause a further development of the copper production of that region.

46. What is your opinion of the resources of the Lake Superior region?—I think they are very great. I do not think they have begun to be developed as they would be if the companies had some encouragement. I have been all over that region and speak from my own observation. There has been a great deal of money spent in exploring, from which there have been no returns. A little encouragement would develop that section of the country rapidly. The best copper mines were formerly very profitable, and large amounts of money have been made by them; but at present production is depressed to such an extent, that without further aid from the government, to at least equalize the amount of the tax imposed upon the copper product, this interest must suffer greatly, even if it be not entirely destroyed. Our copper comes into competition with copper manufactured from imported ores, which are afforded at a less price, and we are compelled in consequence to reduce our price in order to find a market. If the duty upon foreign ores should be increased to fifteen per cent., I think we would be able to get such a price as would afford us a profit upon our investments.

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DECEMBER 12.

*Testimony of Frederick Heyne.*

47. State your name, residence, and business?—Frederick Heyne; residence, Hoboken, but do business in New York; and I am president of the Isle Royal Copper Mining Company. I was formerly, for six or eight years, engaged in the business of a broker of metals, principally copper.

48. Have you any suggestions to make to the commission in regard to the production of copper in this country, and the effect of the government tax upon it?—I have prepared a communication which I present, and request that it be taken as a part of my testimony.

INTERNAL TAX ON COPPER.

The expenses of the late war caused the necessity for an internal tax on all branches of industry and production. As long as this necessity exists for such a tax, and this is raised in an impartial way, there can be no objection or complaint from the copper-mining interest to pay the tax on copper.

## IMPORT DUTY ON COPPER.

A higher tariff of import duties than in former years has been established, partly for the sake of revenue, but partly, too, for the sake of protection to the home production and manufacture against too strong competition of cheap labor in foreign countries. However, copper and copper ore have been excepted from this general principle of the new tariff. This will be easily discerned by a comparison of the present duties on this mineral, with those of iron, coal, lead, &c. An import duty of *six cents per pound* on bar, pig, and ingot copper, and of *twenty per cent.* on copper ore, would come nearer in accordance with the duties on iron, lead, and coal. The companies engaged in mining copper have to compete with the companies in mining other kinds of mineral in the market for labor and material, and it will therefore appear not more than just and right to give one branch of mining the same protection as other branches enjoy.

## COPPER MINES ON LAKE SUPERIOR, MICHIGAN.

The first copper on Lake Superior was mined in 1845. The production of this mineral increased gradually, and amounted to 5,000 tons of rough copper (containing about seventy-five per cent. of pure copper) in 1858, and to 10,300 tons in 1861; and would have continued to increase in the same ratio but for the scarcity of miners during the rebellion, and for the impossibility of paying the same wages to the miners and laborers as are paid at mines of other minerals. The production of copper in the lake region has decreased since 1861 about 1,800 tons, having amounted to 8,500 tons in the year 1864. The quality of the copper is one of the best in existence; the quantity in that district alone is sufficient to supply (when put on an equal footing with other minerals in regard to protection) within a few years the whole consumption of the United States for generations. The whole copper-mining business on Lake Superior can be declared as being yet in its infancy.

## COPPER MINES IN OTHER STATES.

Besides the Lake Superior mines, which all produce native or virgin copper, there are mines of copper ore (sulphurets) in California, Tennessee, Virginia, Maryland, Pennsylvania, New Jersey, and Vermont; of which the mines of California produce considerable quantities of copper ore. Tennessee was also of some importance before the rebellion, but the mines in that State are not yet in working order again.

## COMPETITION WITH COPPER OF FOREIGN ORIGIN.

The principal competition the home-produced copper meets here is with copper smelted at Baltimore and Bergen Point from ores imported from Chili; besides, but in less degree, with Chili pig copper and English refined copper. A nominal duty of *five per cent.* is only imposed on foreign copper ores; probably with the intention to favor thereby the trade with Chili, in the export of manufactured goods from here to that country. However, that export trade does not prosper and cannot prosper. The prices of our manufactured goods are, for several known reasons, too high, and cannot compete with the English and French goods in the Chili markets. In consequence thereof the *reimbursement* for the amount of copper and copper ore shipped from Chili to this country is now regularly made on England, instead of taking the copper in return for our goods; thus showing conclusively, *that facilitating the importation of copper and copper ore from Chili into the United States is, in effect, the same as stimulating the export trade from England to Chili.*

## DISADVANTAGE OF BEING DEPENDENT ON CHILI FOR COPPER.

Chili is at present the greatest copper-producing country. England and France are principally dependent on Chili for their supply of copper. About one-fourth to one-third of the copper consumed in this country is derived also from Chili. In case, now, Chili should get into a war with a great maritime power, the consequence thereof would naturally be a great scarcity of copper. For what reason shall our country be kept dependent on a foreign country for such an important article while there is plenty of it in the country?

## COPPER MINING NOT ARTIFICIAL IN THIS COUNTRY.

Copper mining is no artificial branch of industry in this country. The copper mines did grow and prosper here under a normal state of affairs; they did grow and prosper at a time when Chili pig copper and Chili copper ores were imported *free of any duty*; but at present, when, by internal taxes and by protective duties, everything has become dear; when labor, material, and machinery necessary for mining, cost one hundred per cent. more than in former years; when, by this abnormal state of affairs, the importer is placed in great advantage over the producer in this country; then, and there, it would be not more than granting justice to give the copper-mining interest, by an adequate duty on foreign copper and copper ore, the necessary protection against foreign competition.

*Testimony of Thomas F. Mason.*

49. State your name, residence, and occupation?—Thomas F. Mason, president of the Quincy Copper Mining Company.

50. Have you any suggestions to make in regard to taxation upon copper?—[I have prepared a communication which I submit to the commission, and wish to have it embodied in my testimony. It is as follows:

The war, in affecting the currency of the country, has materially enhanced the cost of the necessities of life. The workingman's wages have also of necessity been proportionally enhanced, and thus the cost of every department of industry has been enormously increased. This increase is particularly felt in the article of copper, the cost of which has risen from fifteen to sixteen cents in 1861, as made up from actual mining returns, to thirty cents in 1864 and 1865. Of these thirty cents, not less than two-thirds are the wages of labor, almost the whole of which is expended in living as soon as earned, thus rendering it possible to tell very nearly for what it is spent, and what amount of indirect taxes every pound of copper pays to the government. The following statement has been compiled from reliable data, and will be found under the closest scrutiny free from material error:

*Indirect tax paid by labor on every one hundred pounds of copper produced in 1865.*

	Amount.	Tax.
Sugar .....	\$0 70	.105
Coffee .....	30	.033
Molasses .....	40	.03
Matches .....	3	.01
Tea .....	50	.125
Soap .....	30	.021
Brooms .....	10	.004
Oil, candles, &c .....	20	.03
Hardware .....	70	.14
Medicines, &c .....	40	.048

Muslins, calico, &c .....	1 40	.085
Hosiery .....	20	.025
Cloths, flannels, &c .....	1 00	.06
Manufactured clothing .....	1 20	.072
Boots and shoes .....	1 50	.09
Beef, pork, &c .....	3 00	.009
Taxes, stamps, &c .....	30	.04
$\frac{5}{8}$ gallon of whiskey .....	2 50	\$1 25
$\frac{3}{4}$ pound of tobacco .....	75	.375
Rent .....	1 25	Free.
Flour .....	1 50	Free.
Butter, &c .....	70	Free.
Vegetables .....	1 10	Free.
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These figures will be found to agree substantially with others of the same character made up for iron and coal, and are as nearly correct as can be. The item of "whiskey" may seem large, but when the fact is stated that over 1,250 barrels, or 50,000 gallons, are annually consumed on Portage lake alone, it appears that the estimate errs in being too small rather than too large.

Add—

Direct tax on 100 pounds copper, at three and six-tenths per cent. ....	\$1 08
Indirect tax paid by laborer .....	2 55
Indirect tax on license, stamps, incomes, steel, iron, castings, machinery and repairs, freights, brokerage, and sundries connected with production and sale of copper, amounting to not less than .....	1 00
	<hr/>
	4 63
	<hr/>

Making \$4 63, the amount of direct and indirect taxes that the government actually realizes from every hundred pounds of copper mined in the country, while the same government only claims \$2 50 of tariff on every hundred pounds of copper imported; thus, instead of fostering native production, actually legislating against the home miner to the extent of \$2 13 on every hundred pounds of copper, which is given as a bonus to the cheap labor of England and Chili. It is true that an additional tax of two and four-tenths per cent. is imposed on foreign copper when it enters into manufactured goods, but, from the nature of the case, this additional tax is readily evaded, and we have yet to learn the first instance in which it has been paid. A similar calculation can be made for foreign ores, and with even a worse result, as the duty on ores is merely nominal.

From these statements, it clearly appears that, to put the copper-producing interests on the same footing they occupied in 1861, which was then considered fairly equitable, and to enable them to pay the taxes the government requires, and compete with the foreign producer, the duty on ingot, pig, and bar copper must be raised to at least six (6) cents per pound, and on ores to twenty (20) per cent. ad valorem.

Again: from careful computation, it is found that the amount of capital actually invested in the Lake Superior copper mines and mining lands is not less than thirty millions of dollars, and that the present market value of this investment is under ten millions. The cause of this excessive depreciation is briefly stated in the fact that the high cost of labor, supplies, and taxes have, within the past two years, compelled the temporary abandonment of many properties which, four years ago, under the then-existing state of things, pro-

ed to give a fair return over and above the cost of working. From 1856 to 1862, the product of pure copper per annum had gradually increased from eight fifteen million pounds, and has since decreased, until the product of 1865 did not exceed twelve million pounds, and must still further decrease, unless the duties on the imported article are increased at least sufficient to meet the very direct and indirect taxes paid to the government on the home product. Previously to 1862, one-half the product of Lake Superior was exported, and the business was fairly prospering at an average price of twenty-three cents, per lb; since then, until the commencement of the present year, the government has consumed the whole of the product, and paid therefor not more, at any time, than an equivalent in currency for the said twenty-three cents, gold. How great a saving such a supply, produced within our own borders, has been to the government cannot, of course, be precisely stated, but had it been necessary to import the quantity needed for consumption, the advance in cost must have been enormous. That an article of such universal use should be afforded during war at no greater real cost than previously is entirely anomalous, and a strong argument, in favor of fostering, by adequate protective duties, an interest of such vast importance, whether considered in the amount of the capital invested, or as one of the great productive interests of the country. This year copper cost very nearly the equivalent of twenty-three cents, gold, and market prices have little more than paid the cost of production. When gold was rated at \$110 to \$240, the cost of production in the items of labor and supplies generally was no higher than it is at present, when gold is at a premium of forty-four to fifty-eight per cent., while the former rate was a barrier to excessive importation, and amounted in effect to a protective duty. And it cannot be difficult to perceive that if gold continues its downward course without affecting the value of commodities, and consequently the cost of production, the advantage is all in favor of foreign copper, produced by foreign cheap labor, and yielding, under the existing tariff, but little more than one-half the revenue the home article is required to pay, as hereinbefore demonstrated. This advantage has already regulated the importation to such an extent that there will be marketed this year, 1865, not less than 10,000,000 pounds, the product of foreign ores and smelters, an amount within one-sixth of the whole product of Lake Superior. Under such competition, the mines cannot be worked, the government must lose a large amount of revenue now gathered from this source, and the country be impoverished to the extent of the capital invested, which must lie idle, and eventually prove worthless, unless the present nominal duties on imported copper are effectually increased. For this purpose, we claim, and think we have demonstrated, that the duty on ingot, bar, and pig copper should not be less than six (6) cents per pound, and on ores, regulus, &c., twenty (20) per cent. ad valorem.

*Testimony of Samuel T. Hyde.*

1. State your name, residence, and occupation.—Samuel T. Hyde; residence, New York; and business, commission merchant for the sale of copper only, which business I have followed for five years exclusively, and for fifteen years before that. I am also interested in the copper-mining stocks.
2. What is the present condition of the copper-mining interest, and how is it affected by the government tax?—The interest, at the present time, is in such a condition that the expenditures, owing to the excessive advance in wages, fuel, machinery, and other articles needed in copper mining, have more than doubled the market value of the copper produced. Just at the present moment, owing to exceptional causes, such as the suspension of commercial intercourse with Chili, and the uncertainty of a supply of copper from that quarter, the price of copper has temporarily advanced; but the general condition is as I have stated, very much depressed.



53. To what do you attribute that depression?—To the want of a margin for profit on the cost of production.

54. Why has not the price of your product advanced to such an extent as to enable you to make a profit after paying the original cost of production?—Well, for no other reasons than that the markets of the world have kept the price at figures ruling lower than the copper can be produced for in this country. Our market, during the last two years, has been altogether at home. We have not been able to export any. Copper is produced in other countries, and brought in here at prices less than we can raise it from our own mines for.

55. In what shape is that copper brought into this country?—In the shape of pig copper, "regulus," as they term it, and ores.

56. What are the duties upon these three kinds of copper?—On the pig copper it is two and a half cents per pound; on the regulus, which is an ore partially reduced, and containing from fifty to seventy-five per cent. of copper, the duty is five per cent.; and on the ore, which is from eighteen to thirty or forty per cent. of pure copper, the duty is five per cent.

57. How much pig copper is imported into this country?—I am not able to answer exactly. My impression is, that we do not furnish over about one-half—say for the last five years.

58. What increase of these duties do you think necessary to place the copper interest in a fair condition?—I should say, upon the ores and regulus an increase of twenty-five per cent. is necessary, and three and a half cents per pound additional upon pig copper.

*Testimony of Joseph Rudd.*

59. State your name, residence, and business.—Joseph Rudd; residence, New York; president of the Minnesota Copper Mining Company.

60. What is your opinion in regard to the present condition of the copper-mining interest, and the effect upon it of the present government tax and impost duty?—Well, as president of the Minnesota Mining Company, I have to say that the Minnesota mine, which was one of the first developed, and the Cliff mine, have produced nearly three-quarters of all the dividends obtained from mining on Lake Superior. Seven other mining companies, who have spent \$1,100,000, have produced about \$1,700,000 in dividends. The balance of the mining companies, which are about eighty-five in number, now in existence—though there have been more than that—have spent \$11,000,000 in assessments, without any return to any of the stockholders. The company which I represent are spending about as much money in trying to reclaim the property as it spent originally in developing it. It has spent \$300,000 in the last two years. In that county where our mine is located there is no other mine which has ever paid a dividend, excepting the National; and the whole county looks to me as if it was going to ruin. The roads are getting out of order, and property is going to waste. I think the mining companies in that region will all of them sink money every day they go on under the present circumstances. Our local taxes have increased from about \$1,800, as they were formerly, to \$12,000 this year. The average price of copper in this market during this last year has not more than paid the cost of production. Our company will spend \$150,000 more than we shall get returns; but this expenditure will open new parts of the property, some portions of which have given out.

61. Do you agree with Mr. Hyde in regard to the relief which is required from the government?—I do. I think that three and a half cents per pound additional on pig copper, and twenty-five per cent. additional on the ores and regulus, will be sufficient to enable us to proceed with our business profitably.

DECEMBER 13.

*Testimony of William H. Stevens.*

52. State your name, residence, and business.—William H. Stevens, and am engaged in copper mining. I am a director in quite a number of companies, and have general supervision of the mines which they work.

53. Please to state in what manner the production of copper in this country is affected by the taxes and customs duties imposed by the government.—I would suggest, first, that the mining interest is affected unfavorably by the manner in which the internal revenue tax is collected—I mean, as to the time and mode of its collection. We are now compelled to make return of our product at the smelting works as it is smelted, and to pay the tax upon that return before the sale is made. This I consider to be unjust, and injurious to our interests.

54. Now please state the process of producing copper ingots.—First, the ore is broken and the ore taken out. That ore is usually broken with hammers, by hand, but in some cases with stone crushers, by machinery, and reduced to fragments below the size of five inches in diameter. When I say "ore," I mean what we call the copper rock, in which form alone the ore exists in this country. It is not a chemical mixture of copper with other elements, but a mechanical mixture of pure copper with other adventitious substances. This copper rock, thus broken, is in a condition for stamping. It is then passed through the stamping mills and pulverized to fine sand. This fine pulverization is produced by weights or stamps of one thousand pounds each falling upon the rock and thus reducing it to powder. This powdered ore is then washed, or, as is called, "dressed," by the passage of a current of water over and through the powdered ore in any way that may be convenient. By that process, the extraneous particles of extraneous matter, being specifically about three times lighter than the copper, are washed out. The product remaining is called "dressed mineral," and consists of from sixty-five to ninety per cent. of copper, and the balance of other mineral substances which have not been removed by the washing process. This dressed mineral is then ready for smelting. In some cases, it is smelted at works near the mines, but in most instances it is shipped either to Detroit, Cleveland, or Pittsburg, and smelted at smelting works there. This dressed mineral is shipped in barrels, either of iron, or of wood, or of other material, and is usually shipped in long-made barrels. As these are not usually to be had in sufficient supply, casks have to be made on purpose. These are usually shipped to the mining region filled with grain and other supplies for the miners. The process of smelting is simply melting the mineral in a reverberatory furnace, with the addition of a flux of lime or other suitable substance. The lighter minerals rise to the top of the melted mass and the copper sinks to the bottom, whence it is withdrawn, and run into pigs or ingots. These ingots are then shipped to the commission merchant at Boston, New York, or Philadelphia, and there sold to the manufacturers or other consumers. A very small percentage of the copper is sold in the West for castings. The largest market for consumption at any one point is at Waterbury, Conn. One establishment at Waterbury consumes 1,500 tons of copper per annum in the manufacture of pins, hooks and eyes, and other similar articles. There are a number of other copper manufactories in Waterbury, constituting almost the entire business of the place. These establishments purchase copper in large quantities. And now I contend that it is not just, or in accordance with a rule which is applied to all other manufactures, to require the payment of our tax until the final sale of the copper. At the same time, I do not admit that the production of pure copper is a manufacture any more than the production of pure iron or coal, or of wheat or corn that is cleaned and ready to be converted into flour. And, even with this relief, our interests will

not be benefited very much, unless we have protection against foreign importation.

65. Can you give any statistics of the production of copper in this country?—I submit a statement of the result of the operations of eight of the principal copper mines of Lake Superior for the year 1861, which will give a view of the extent and condition of the business at that time; also a statement of the average prices for which copper was sold during a period of five years—from 1857 to 1861, inclusive; also a statement of the products in rough copper of all the Lake Superior mines for a series of five years, from 1859 to 1863, inclusive; also a table showing the product in tons, the value and the price for which it was sold, of the Lake Superior mines from 1845 to 1864.

66. What is your estimate of the amount of capital actually invested in copper mining in the Lake Superior region?—I estimate for capital paid in, in instalments, \$13,000,000. The cash received from products sold and applied to the further development of the mines, as an addition to the capital, \$17,000,000—making a total capital of \$30,000,000; upon which dividends have been actually paid to shareholders to the amount of \$5,600,000, to which should be added \$767,000 for profits earned but not yet divided nor paid over. The entire amount realized from sales of copper is \$36,367,000, embracing the sales for the whole period from 1845 to the end of 1864. The remaining \$13,000,000, received from the product, has reimbursed the capital stock paid in, in instalments. At present, owing to the high cost of production and the successful competition of foreign copper and ores, it is impossible to produce copper from Lake Superior mines at a profit upon the actual cost of production and transportation, allowing nothing whatever for interest upon capital and dividends upon stock; and my opinion is, that unless relief is obtained, the copper-mining interest will suffer to such an extent that production will entirely cease, except in the case of a few mines which have very valuable veins of copper ore.

67. State particularly the competition to which you refer?—I refer to the importation into this country of the sulphurets of copper and other ores, which are now imported in large quantities from Chili, being subject to the nominal duty of only five per cent. ad valorem, which was the duty imposed ten or twelve years ago, under an entirely different condition of things from that which exists at present. I refer also to the importation of regulus, which is copper ore partially reduced, and is subject to the same duty. I refer also to ingot copper, which is imported from England, and the Chili pig copper, which last contains about ninety per cent. of pure copper, and is imported from Chili—both coming in under a duty of two and a half cents per pound.

68. What increase of our customs duties is necessary, in your opinion, to equalize the condition of the copper-mining interests with that which they held before the war in reference to foreign competition?—I do not think that six cents per pound on copper, and twenty-five per cent. on ores, will place us in as good a condition as we occupied before the war, owing to the various internal taxes and the increase in the price of labor and other costs of production and transportation. At the same time, it is my opinion that the copper interest will be satisfied with an increase of the duties to that extent.

69. To what extent has copper been produced in other parts of the country besides the Lake Superior region?—The Lake Superior region is the only part of this country, and, I believe, the only part of the world, where copper is known to exist in large quantities in a pure state, or in the state of copper rock; but the sulphurets and other ores have been mined to some extent in Tennessee, North Carolina, Virginia, Pennsylvania, New Jersey, Connecticut, Vermont, and California. The production from these sources, however, has been very small and almost universally unprofitable. The only exception that I now recall is a single mine in California. In Tennessee the oxides and sulphurets will, in my opinion, eventually be mined to advantage, and profitably.

70. Have you any information about the extent of the production in Chili, the ownership of the mines, and the proportion of the product which comes to this country?—My information is that the entire annual product of the Chilean mines was, in 1864, 30,680 tons; in 1865, (for eight months,) 29,240 tons. The production of all other countries was about 18,500 tons. The product of Chili is probably the largest proportion of the whole product of the world, and has been estimated at five-eighths of the whole. The mines of Chili, as I am informed, are worked principally by British capitalists, and are owned principally in England. There is also some German capital there. The copper ingots imported here are made in England from the Chilean ores, and the Chilean ores which are sold here are usually paid for by exchange on England. In fact, the principal part or nearly all the foreign commerce of Chili is with England. I do not know the quantity of ores imported from Chili into this country, but suppose it can be ascertained from the custom-houses of Boston, New York, and Baltimore.

71. What is the usual compensation paid to the smelting works for smelting ores?—It has been from \$15 to \$17 per ton; but now they are asking from \$23 to \$25 per ton.

72. What is the cost of mining per ton?—Three dollars per ton, or thereabouts. For stamping and dressing ninety cents per ton.

73. What is transportation?—To Detroit, say \$5 50 per ton for the mineral. Pig copper, from Detroit to Boston, say \$10 per ton. In estimating the cost of mining, I take the gross amount of mineral produced, which is about two or two and a half per cent. of the pure copper produced from the mineral in its first form; so that the cost for mining alone of each ton of ingot copper would be from \$80, formerly, to \$120 at present. Besides, there is something to be added for commissions and other expenses. The cost of stamping rock that produces a ton of ingot copper would be \$36. The transportation to Detroit is estimated on mineral containing about eighty per cent. of pure copper. The cost of smelting mineral containing eighty per cent. of pure copper is, say \$25 per ton, which would make \$30 per ton of ingot copper.

*Product of Lake Superior copper mines.*

	Tons.	Value.
From 1845 to 1858 .....	22,454	\$11,087,000
1859 .....	4,200	1,932,000
1860 .....	6,000	2,520,000
1861 .....	7,400	3,180,000
1862 .....	9,062	4,600,000
1863 .....	8,548	6,838,000
1864 .....	8,625	6,210,000
<b>Total</b> .....	<b>66,289</b>	<b>36,367,000</b>

*Products in rough copper of the Lake Superior mines for a series of five years.*

(Expressed in tons and tenths.)

Mine.	District.	1859.	1860.	1861.	1862.	1863.
Adventure	Ontonagon	139.4	29.7	3.3	16.6	
Albany and Boston	Portage Lake			4.2		
*Amygdaloid	Keweenaw Point	24.	5.3	68.	94.9	51½
Aztec	Ontonagon	15.3	4.9			
Bohemian	Ontonagon	3.			16.9	
Carp Lake	Ontonagon		20.5		7.1	
Central	Keweenaw	172.3	78.6	157.2	304.6	430.
Clark	Keweenaw	5.6	7.2			
Copper Falls	Keweenaw	329.4	328.	270.3	199.9	234.
(Columbian).	(Portage)					8.6
Eagle River	Keweenaw	6.			5.2	
Evergreen Bluff	Ontonagon	27.	41.9	70.6	82.1	
Flint Steel River	Ontonagon			1.5		
Franklin	Portage				928.6	780.1
Garden City	Keweenaw			10.3	1.4	594
†Grand Portage	Portage	8.7	24.			247.4
Hamilton	Ontonagon	.7	7.9			
Hancock	Portage		7.2	56.	66.4	72.2
Huron	Portage	7.4	78.	105.	96.4	69.1
Isle Royale	Portage	241.3	458.6	726.	520.5	372.5
Knowlton	Ontonagon			11.4	19.5	
Mass	Ontonagon	12.3			1.3	
Mesnard	Portage	.6			33.	1½
Minnesota	Ontonagon	1,623.6	2,183.4	1,880.4	1,525.	
National	Ontonagon	323.2	727.8	943.	596.	
†Nebraska	Ontonagon	9.8	26.4	7.3		
§North American	Keweenaw	8.7		33.9	27.2	
Pennsylvania	Keweenaw	73.8	103.5	62.3		
Norwich	Ontonagon	22.				
Ogima	Ontonagon	35.4		31.	27.9	
Petherick	Keweenaw			18.	63.2	56½
Pewabic	Portage	734.4	1,363.8	1,129.	1,000.7	1,083.4
Phoenix	Keweenaw	32.	31.2	46.9	57.6	151½
Pittsburg and Boston	Keweenaw	1,254.5	1,357.	1,496.5	1,635.	1,505.3
Quincy	Portage	336.	866.	1,791.4	1,252.7	1,472.8
Ridge	Ontonagon	27.8	22.	31.	28.6	45.4
Rockland	Ontonagon	347.	552.7	469.	331.9	
St. Mary's	Portage					4.
Summit	Keweenaw	4.				
Superior	Ontonagon	1.7	14.	39.7	53.2	
Toltec	Ontonagon	9.4		2.2		
Total		6,041.	8,606.6	10,348.7		

\* Formerly "Connecticut."

† Formerly "Portage."

‡ In 1863 became Caledonia.

§ Now belongs to the Pittsburg and Boston (Cliff) company.

|| Formerly the "Northwest."

The three several districts of Lake Superior produced during the five years above given the following amounts of mineral:

	1859.	1860.	1861.	1862.	1863.
Point Keweenaw	1,910.3	1,910.8	2,163.4	2,890.8	2,439.2
Portage Lake	1,533.1	3,064.6	4,708.6	3,942.6	4,101.4
Ontonagon	2,597.6	3,631.2	3,476.7	8,728.3	2,004.5

The total value of the products of the mines worked since 1845, as compiled from *Whitney's Metallic Wealth of the United States*, the circular of Messrs. Dupee, Breck & Sales, and from other sources, is given with the exactness possible in the following statement:

From 1845 to 1854, inclusive..... 7,642 tons ingot.  
 From 1855 to 1857, inclusive..... 11,312 tons ingot.

1858	18,954 tons ingot, at \$500 per ton	\$9,477,000
1859	3,500 tons ingot, at \$460 per ton	1,610,000
1860	4,200 tons ingot, at \$460 per ton	1,932,000
1861	6,000 tons ingot, at \$420 per ton	2,520,000
1862	7,400 tons ingot, at \$420 per ton	3,108,000
1863	9,062 tons ingot, at \$525 per ton	4,757,250
1864	8,548 tons ingot, at \$800 per ton	6,838,400
1865	8,625 tons ingot	6,210,000

66,289

36,367,000

MARCH 24, 1866.

*Testimony of William A. Howard.*

74. State your name, residence, and occupation?—William A. Howard; residence, Detroit; was formerly a lawyer, then a member of Congress.

75. Have you any suggestions to make in regard to the duties on imported copper and copper ore, and the internal tax on the home production?—For more than twenty years I have had extensive personal knowledge of copper mining in the Lake Superior country and of the statistics of the trade. I was a member of the Committee of Ways and Means in the House of Representatives from 1855 to 1861, was a member of the sub-committee for revising the tariff, and as, perhaps, instrumental in fixing or retaining the present rate of duty on imported copper and copper ores. I then thought the duty sufficient, and I now believe it would have proven so but for the internal taxes since necessarily imposed and the consequent increased cost of labor and supplies. From my own knowledge of the subject, and a careful examination of the testimony taken at the commission in New York in November and December last, I am of the opinion that the increase of the duty on copper ore to twenty per cent. *ad valorem*, and on regulus to twenty-five per cent., and on ingot, bar, and pig copper to six cents per pound, *will not more* than neutralize the effect of the internal taxes and restore the protective effect of the present duties to what they were in 1861.

76. Would or would not the proposed increase of duty on ores and regulus seriously affect the business of smelting and the capital invested in the same?—In my opinion it would not. First, because the proposed increase of duty on ingot, bar, and pig copper is a larger percentage of its value than on the ores. The smelter who sells copper would have more protection than the miner who sells ore. Secondly, because the increased and increasing production of domestic ores will furnish a ready supply and a powerful competition with foreign ore. It is estimated by good judges that California alone will this year produce 30,000 tons of copper ore, ranging from twelve to twenty per cent. copper, which, at an average of fifteen per cent., is equivalent to 9,000,000 pounds of copper, or one and one-half the consumption of the whole country twenty years ago. Capital invested in smelting is worthy of consideration and fair treatment. But when we consider that the amount invested in mining is many times greater than in smelting, and that there need be no lack of domestic ores, or any permanent injury done to the smelting interest by the proposed change, surely the greater interests of mining should receive at least fair treatment and equal liberality.

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*Statement in behalf of the copper smelters.*

The commission also submit, in this connexion, the following statement of J. C. Loadley, esq., agent of the New Bedford Copper Company, as illustrative of the views of the smelters and manufacturers of copper:

BALTIMORE, March 26, 1866.

To the Chairman of the U. S. Revenue Commission:

SIR: I avail myself of your permission to state as concisely as possible my views of the legislation required to secure and promote the interests of the whole copper trade, including mining, smelting, manufacturing, and reworking in the arts.

1. The supply of copper from native copper and native ores has hitherto been less than the consumption in the arts, and the deficit has been made up

partly by the importation of refined copper, but chiefly by the importation of foreign copper ores.

2. The production of copper from our own mines is now sufficient to supply the American market with all it can absorb. But on account of the necessity of mixing copper ores of various kinds for profitable smelting, part of the ores of California are exported to England, and their place is supplied by about an equal quantity from Chili.

3. The preceding facts are shown in a more exact form in the subjoined statement :

	<i>Pounds.</i>
Annual consumption of copper in the United States, usually estimated at.....	25, 000, 000
Annual product of the mines of the Lake Superior region, twelve to fifteen million pounds, say.....	12, 000, 000
Product of the mines of California, in fine copper.....	10, 000, 000
Product of Vermont, Maryland, Virginia, North Carolina, and Tennessee, estimated at.....	3, 000, 000
	<hr/> 25, 000, 000 <hr/>
Of the product of California there was exported, in fine copper..	4, 000, 000
And brought to the Atlantic seaboard to be smelted.....	6, 000, 000
	<hr/>
Total, as before.....	10, 000, 000
	<hr/>
Ores imported from Chili, in fine copper, about.....	3, 600, 000
From Canada and Cuba, about.....	400, 000
	<hr/>
Total, equal to export from California.....	4, 000, 000

The price of fine copper in the markets of the world and in the currency of commerce (gold) is immediately dependent upon the price in England, since that country is the only one in the world where ores are imported and smelted for a profit. Her imports of copper are nearly equal to five times our entire consumption, and the products of her smelting furnaces are probably equal to one-half of the production in the round world.

5. While we were importers of refined copper, its price in our market was almost always, and still is, about the cost of importation from England; that is, the price in sterling money reduced to United States currency, *plus* the import duty,  $2\frac{1}{2}$  cents per pound in gold, and the cost of importation, freight and charges, commissions, insurance, loss of interest, &c., amounting to one cent per pound in coin, the whole amounting to  $3\frac{1}{2}$  cents in gold, equal to about  $4\frac{1}{2}$  cents in United States currency at the present time.

6. When we become a copper-exporting country the price here will fall to the English price, *less* the cost of transportation to England, equal to one cent in coin, or about  $1\frac{1}{4}$  cent in United States currency, at present. The difference between the import price and the export price is, therefore, about  $4\frac{1}{2}$  cents in gold, equal to say  $5\frac{3}{4}$  cents in currency. As there must be hope of profit to turn the scale, this difference is, in fact, not less than five cents in gold, equal to  $6\frac{1}{2}$  cents in currency, and about 20 per cent. of the current price of ingot copper.

7. The production of copper in the United States is rapidly increasing. Although some of the Lake Superior mines produce less, or run out altogether, other mines are opened, so that that important interest retains its relative rank as the source of about one half of our product of copper; and the rapid development of the mines of California, together with the aggregate results of new

enterprises in other States, has already brought our supply up to our  
 ption, and will soon carry it beyond, unless our consumption largely  
 es.

he consumption of copper depends mainly on price. For so many pur-  
 other metals, such as sheet iron, tin, tinned iron, galvanized iron, zinc,  
 id, may be substituted, when copper is preferred, that, with copper, a  
 ice insures small consumption.

Almost the whole quantity consumed, both as sheet copper and yellow  
 n the sheathing of ships, will be transferred from American to English  
 cturers, unless the revenue laws be changed so as to relieve those articles  
 urdensome taxation, by a drawback equal to the entire enhancement of  
 e of said articles by import duties and excise taxes, since ship-owners  
 well sheathe their ships in one port as in another.

To foster the copper-mining interest, as well as copper smelting, the cop-  
 ufacturers must be sustained and the consumption and use of copper in  
 promoted. This can only be done by simplifying and reducing the ex-  
 on copper. I respectfully suggest an excise tax of not exceeding five  
 t. (and the lower the better) on the original production of copper in pigs,  
 kes, slabs, or ingots; and that thereafter *no* excise tax be laid on copper  
 y mixture of copper and zinc, or copper and tin, wherever and however  
 the arts.

To compensate the mining and smelting interest for this single excise tax,  
 ust of course be a corresponding import duty on refined copper; and  
 ity should also be sufficient to compensate them for the whole burden of  
 a fuel, &c.

In view of the rapid approach of the time when we shall have to seek a  
 abroad for our copper, I do not regard a duty—even a heavy duty—on  
 in pigs, bars, and ingots, as a real burden upon the manufacturer and  
 er. While, in my judgment, the present duty of  $2\frac{1}{2}$  cents per pound in  
 about right, I can see no good objection to raising it to five cents, if the  
 uperior mining interest deem it important for their protection; and if the  
 tax on their products be increased, the import duty should clearly be  
 ed in like proportion.

But, in any event, the small quantity of foreign ores required to mix with  
 ive ores (and no other foreign ores can be imported) should be admitted  
 with only a nominal duty.

If, in accordance with the views of the Lake Superior mining interest,  
 ort duty on refined copper be increased, then the drawback on copper  
 low-metal sheathing should be proportionately increased, since the con-  
 of these articles are not amenable to import duties, and any tax on the  
 ls or manufacture merely drives the business out of the country.

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#### SPECIAL REPORT No. 12.

##### *Report on Iron.*

OFFICE OF THE UNITED STATES REVENUE COMMISSION,  
*February, 1866.*

The production of iron in the United States during the last twenty-five  
 he development of vast deposits of iron minerals and of fuel, demonstrate  
 acity of the country to manufacture the whole quantity required for its  
 s in other manufactures, for the production of machinery and all other  
 ents of industry, and the continuous enlargement of its productive pow-



ers. Our natural advantages for the production of iron and steel, and other great instruments of production, are not surpassed in the world. Our progress shows that we have learned to avail ourselves of these advantages. Ultimately, under a wise domestic policy, we shall become the largest producers of iron, and perhaps the largest exporters, as many of our mines are near the seaboard, and can furnish large quantities more promptly than any country except Great Britain, and better and more varied qualities than any country.

It must be long, however, before it can be our interest to send iron from our shores. The race for national power and wealth will be indicated, not so much by our advance in the production of iron, as by its consumption. Our industry can never grow to its full height but by that profusion of machines and implements of production and facilities for transportation which iron only can furnish. England now employs iron to the extent of 160 lbs. per head of population, and exports considerably more than she consumes. We manufacture 1,500,000 and import about 300,000 tons. Our consumption does not yet exceed 120 lbs. per head. But considering the intelligence of our population, its activity, its ingenuity, its proclivities to the employment of iron, and the very superior quality of our iron, we may reasonably expect to reach a consumption of 160 lbs. per head by the time our population numbers forty millions, making the whole product then equal to 3,200,000 tons.

The production of iron will, in a few years, be distributed throughout the whole country. The materials are in all the great departments of our territory, east and west, north and south; wherever these materials are found, and where the laborers and the food can be found, the people will be greatly wanting to their pecuniary as well as all their economical interests if they do not devote a portion of their labor to their conversion into iron, which admits of transportation to every State, and is in universal demand; that is, the labor and the food which enter into the production of iron become available in the purchase of other commodities throughout the whole country.

It is very well known that the State of Pennsylvania could by no means of her own import yearly 50,000 tons of iron, but her mines, labor, food, and capital, can now furnish yearly 500,000 tons, worth over thirty millions of dollars; and can now, by the further aid of machinery, carry the value of this iron to sixty or eighty millions. Thus the people of Pennsylvania can by this medium exchange her minerals, labor, and food, for the labor and food and other raw materials of other parts of the country. The labor, the food, and the raw material of one part of the country, combined by manufacture, become thus commodities exchangeable in all other parts for other commodities, made up by similar combinations. The raw materials may differ, but the labor, skill, and food effect a transformation into that which becomes equivalent to money, in places where neither the labor, nor the food, nor the raw material could be transported. The agricultural products which farms can produce in greatest quantity cannot be carried far; corn, therefore, and grass, and root crops, if they have not a market close at hand, must be worked up into hogs, or horned cattle, or horses, or mules, or iron, lead, cloth, or something else which can be driven or carried into market. But making pork, or beef, or growing horses and mules, is not to be compared, in point of public or private advantage, with those branches of industry which convert the products of the soil, by means of human and skilled labor, aided by machinery, into commodities for distant markets. It is only by such means that a whole population finds employment, and that labor, skilled, intelligent labor, can be carried far to market. The value of a man's labor in a community where manufactures are duly blended with agriculture—that is, where in close proximity these branches of industry support each other—is more than five times greater than in a purely agricultural district. The value of farms, gardens, and orchards, in the United States, conforms closely to the distance from those who consume their products. Farms, gardens, and orchards realize five to ten times more from a market not over five miles distant, than from that

which is several hundred miles away; the product of the land intended for a market being of five times greater value per acre than that which is raised for distant market. The pig iron of Missouri can be sent a thousand miles by water to Pittsburg for a market, but the farm products consumed in the production of the iron cannot, much less those of the garden, and orchard, and butchers' shops.

When Missouri shall take from her mines the material to increase the sum of her manufactured products from forty to eighty millions in value, the farms of that State will have risen from thirty-eight to seventy-five dollars per acre, and personal property will have increased not less than four times its present quantity and value.

Massachusetts and Missouri are nearly equal in population, the latter having only a thousand less. The former has over two hundred thousand hands engaged in manufactures; the latter over nineteen thousand. Including the number dependent upon those engaged in manufacturing, Massachusetts has half her population so engaged, or six hundred thousand. If Missouri had half her population thus engaged, her farm lands would be worth one hundred dollars; intrinsically, they are worth double those of Massachusetts; but with such a market within her own borders as half a million of manufacturers, the farms would readily sell for \$100 per acre. The product of the manufacturers in Missouri is now nearly of the value of \$42,000,000, or \$35.35 per head; that of Massachusetts is \$255,545,922, or \$207.58 per head. The average production of manufacturing industry per head of the entire population of the United States is about \$60 per head. Massachusetts exceeds that average \$147; Missouri is \$25 below it. The natural advantages of Missouri in climate, soil, mines, minerals, and the advantage of the whole valley of the Mississippi for a market, and free navigation to every portion of it, open for her a career of successful industry, which must leave every State of New England very far behind.

The States possessing in abundance mines and minerals, for the production of iron and steel, should not hesitate as to the direction which should be given to their industry. Men have neither planted nor cultivated these minerals; they do not grow; there is no waiting by man for a new crop of raw material. Nature has done her work, and is not to be asked for further assistance. The crop is always ready to be taken in, and prepared for immediate use. Every step is one of labor, skill, and science. Every stage of the business requires intelligent and scientific supervision. The employment is continuous. The products are among the most important necessities of life—products necessary to national power and civilization. So far as the highest interest of industry, and the permanent interests and welfare of the working classes, are concerned, no industry is of such essential utility as the working of mines, and the production of metals. They are indispensable to progress in all other departments of labor. They are equally necessary in peace and war to the national strength at home, and national respect abroad. Mining and metallurgy, if carried on as they should, will support one-fifth of our population, and furnish materials needful to the various branches of industry which support the remaining four-fifths.

The product of iron is now not one-half what it should be; not one-half what would have been, but for the excessive fluctuations in price, caused by foreign competition. The over-production of iron in Great Britain makes the price there very variable, and the fluctuations there are thrown upon our markets, in addition to those incident to our home manufacture.

The injury done to the home production of iron, by the manner in which foreign iron is thrown upon our markets, is many times as great as the whole value imported. The American manufacturer cannot encounter variations in price with as little loss as the British maker.

As a branch of national industry, the manufacture of iron has been eminently profitable; the country has been greatly enriched and benefited; but it would be

easy to show that, as a whole, it has largely enriched only a small portion of the individuals engaged in it. As much money has been lost as has been made by it. It is a lottery in which large prizes have been drawn, but the blanks have been more numerous than the prizes. The public has the full advantage; individuals bear the burden and the loss.

These individual losses are due to various causes, which should not be overlooked in estimating the progress of this manufacture and its prospects. The country has but partially overcome the checks which met the pioneers in the production of iron—the want of capital, of skill, and of experience. It could not be expected that such requisites were attainable without much delay. Our progress seemed, to national impatience, slow and unsatisfactory, but now our advance appears to be all that should have been hoped.

Our knowledge of iron manufacture will not suffer now by comparison with that of any other people. The supply of capital to aid those who are thus engaged is still deficient, but the success of a few has been sufficient to attract to the business those who have carried the production of iron very rapidly to its present quantity. The excessive fluctuations in price have severely tried all who have engaged in it, as may be seen by tables of English and American prices annexed to this report.

The history of the manufacture of iron in this country reveals, as does that of many other branches of industry, a striking characteristic of the American mind in its tendency to mechanical pursuits. No country ever rose so rapidly into manufacturing eminence, and no people ever suffered so much pecuniarily to attain it. In Great Britain and on the continent of Europe long apprenticeships were considered necessary to the attainment of skill in a mechanical pursuit. In many countries expensive and tedious preliminaries had to be encountered before men were permitted to set up as masters in a business. All that has long ago been disregarded here; men with little hesitation engage now in all kinds of business, even those demanding the highest skill and scientific acquirements, make large investments, and spend years of toil and anxiety to perfect a business by the hard and losing road of oft-repeated trials and failures, and by dint of costly experience. In a vast number of cases great establishments, on which hundreds of thousands and even millions have been expended, have been sold, owing to the failure of the first owners, for a tenth or other small proportion of their cost, and become profitable only to the second proprietors.

The result has been that our operatives have left the old ruts and struck out new paths, and while they have gained largely in new ideas, new processes, and new machinery, they have in their progress been able to look around the world and gather up what is best in the old paths. In the main this has been the method of all our great manufactures and most of the lesser employments, and it is palpable that very great advantages have resulted. The inventive power of the country has been stimulated in an extraordinary degree. The nation owes no small debt to the long list of men who for half a century have given all their means, all their talents, and years, if not a lifetime, to build up and establish an American manufacturing system, which gave to the most of them for its chief reward the satisfaction of being regarded as public benefactors.

The productive power of the country, and of course its ability to endure heavy taxation, may be measured here, as well as in every other population, by the quantity of iron consumed. Without machinery, implements of husbandry, tools for all trades, and instruments of production of every kind only supplied by iron, no high rate of production can be reached. The value of a million of tons of iron as it enters into consumption is at least a hundred millions of dollars. All branches of industry not only profit by the use of this iron, but they profit by what they are called upon to furnish in aid of its production. They can all supply themselves fully at home with this indispensable article by exchanging

irectly or indirectly, the products of their own industry, and thus this  
e may go on indefinitely, the production of iron increasing with the  
g population, until the product reaches or exceeds the quantity made  
Britain—six millions of tons.

import our metals from Europe our consumption will not be on the scale  
eeds of our civilization and of our industry, but on the scale of our  
o pay; that is, upon the scale of what Europe is willing to take from us.  
r as a people we can consume half a million, a million, or two millions  
annually, will depend upon circumstances in Europe, such as the state  
weather, the harvest, and the fluctuations of commerce. But our home  
can furnish an indefinite and increasing quantity, meeting the utmost  
, and at a just price; that is, a rate adjusted to the price of labor in the  
. If the rate is high the payment is easy, for there is no medium more  
t than that which is used to pay for the production of iron. We can  
consumers of iron manufactured at home, whatever the price; we  
import half the quantity we should use, however cheap.

the exchange between the labor that makes the iron and the labor that  
s the food, the clothing, the dwellings, and the furniture, that affords  
o pay taxes. Through the employés and the creditors of the government,  
disbursed by the public treasury returns after a short time to the same  
s from which it was withdrawn by taxation. The persons who receive  
ey make the same use of it which others do who receive their incomes from  
urces. The main current of the medium of exchange, whatever it be,  
rds those who produce food and raiment, and other necessities of life.  
om this current that the amount of the taxes is taken, not to be per-  
y diverted from its course or destination, but to be returned after the  
a few weeks or months to the same stream and the same destination.  
n abstracted from the earnings of domestic labor changes owners many  
ut flows on until finally absorbed as compensation for labor and its

3.  
States be taken separately, it will be found that they are able to pay  
ecisely in proportion to the exchanges produced by their industry. If  
the population is engaged in manufactures and mechanical employ-  
their labor is virtually exchanged for labor, and the exchange is rapid  
ge. Massachusetts, with nearly half her population dependent upon  
tures, pays over fifteen millions of dollars in taxes; Missouri, with  
e same population, with a far more favorable climate, a better soil, three  
much of it in cultivation, and vast mineral resources, but with only a  
h of her people dependent on manufactures, pays less than a third of  
ount.

industry of Missouri were so diversified as to give employment to her  
population, and bring about an exchange of products corresponding to  
ral advantages, that State could pay twenty millions for taxes with less  
ion than four millions now.

ifference between taxing home production and foreign will be seen in  
at by imposing a duty of from ten to fifty per cent. on foreign products  
sury realizes one hundred and thirty millions, whilst domestic taxation,  
arge of from one to six per cent., produces over two hundred millions.  
eful estimate has been made of the articles purchased by 150 men and  
nilies, out of the wages received for making 1,000 tons of iron rails from  
at present rates:

h articles as tea, coffee, sugar, molasses, candles, oil, matches,  
vinegar, brooms, coopers' ware, medicines and doctors' fees,  
rare, queensware, &c. .... \$12,000

For coarse muslins and hosiery, checks, calicoes, ginghams, cloths, cassinets, flannels, made-up clothing, boots and shoes, all of domestic manufacture.....	\$18, 000
Beef, pork, veal, and mutton .....	10, 000
Bread, corn, and wheat, vegetables and fruit.....	15, 000
Beer, whiskey, tobacco, &c.....	7, 000
Sundries.....	3, 000
Savings of the laborers.....	8, 500
Profits of manufacturers.....	6, 500
	<hr/>
	80, 000
	<hr/>

This is the way iron is paid for when at home, and this statement shows that there is no limit to the quantity which may in this manner be brought into consumption.

It is in striking contrast with the mode of supplying the country with iron from Great Britain. Of the items thus converted into iron none will be received there for iron except wheat or flour, when it may happen to be wanted. The importance of this exhibit is not chiefly in the fact that the value of a thousand tons of iron rails has been created, but largely in this, that it has not only furnished a living to the 150 hands employed and their families, but to as many more in other branches of industry employed in producing these supplies for the men who took the minerals from the ground and converted them to so useful a purpose as iron rails.

Similar exhibits can be made in every department of American industry, showing that they are all bound together by a mutual dependence, uniting their interests like the links of a chain. The iron is none the less important to the country because the men who made it are paid three times as much for their labor as they would have received in Great Britain, nor is the country the poorer, for all the wages remain in it, and the iron is a clear gain.

We have imported into this country within the last six years at least one million tons of iron, at a cost to the consumers of not less than fifty millions of dollars. This iron would have cost at home from seventy to ninety millions in our currency, but the manufacture of it at home would have furnished a market for thirty-five millions worth of our agricultural products, of that kind which gives the largest profit to the cultivator, tends to raise land to its highest value, and yields a market for the home products, to the value of twenty-five millions more. Our working-men have lost the advantage of making it out of our own materials. Nearly half our furnaces on this account stood still for a large portion of last year, whilst the British farmers were feeding and British manufacturers were clothing the men who were making at least a fourth of the iron thus imported.

If our industrial policy were such as not to permit any damaging or destructive competition with foreign cheap labor in the production of staple articles of clothing, such as cotton, or woollen, or flaxen, or leather goods, or such things as iron or steel, or other metals, or articles of which they are the chief materials, or other staples needful to national independence and self-respect, there would always remain a large variety of commodities of foreign manufacture which our people would import to the full value of what foreign nations would take of our products. The largest foreign trade would assuredly grow out of the largest domestic production, because that would most increase our ability both for importation and exportation.

In the progress of British iron manufacture it enjoyed a special advantage denied to the American manufacturer, who has suffered constantly under the reproach of requiring so much legislative aid. It had the unwavering support

government, and the benefit of high prices in all iron-producing countries, following sketch will show:

first duty upon iron imposed by the English government was ten shillings, in 1679. In 1710, it was advanced to £2 1s. 6d. per ton in English and in foreign vessels to £2 10s. 10d.

777, 7,525 tons of iron were imported into England from America.

782, the duty on iron was raised to £2 16s. 2d. The price of iron at that as from £17 to £18 per ton, (\$85 to \$90)

785, the export of tools, engines, models, or plans of machines used in manufacture of iron was prohibited, under a penalty of one year's imprisonment £200 fine, and a confiscation of the articles shipped, or intended to be. The same fine was to be inflicted on the master of the vessel and the house officers, who were to be dismissed, and be thereafter forever incapable of holding any office. For enticing workmen away, the penalty was six months imprisonment and £500 fine for every workman so enticed, the fine doubled for the second offence.

787, the importation of iron less than three-fourths of an inch square, and wrought iron, except plain bars, and all manufactures of iron and steel, were prohibited.

795, the act prohibiting the export of tools and machinery was made perpetual.

796, the duty was raised to £3 1s. 9d. per ton. The whole amount then raised in Great Britain was 124,879 tons per annum, from 121 furnaces.

1799, the duty was raised to £3 4s. 7d.

1800, the duty was increased to £3 15s. 5d.

1801, there were 168 furnaces, producing 170,000 tons.

1802, the duty advanced to £4 4s. 4½d.

1803, the duty was raised to £4 17s. 1d.

1804, the duty was raised to £5 1s.

1805, the duty further advanced to £5 7s. 5½d.

1806, the duty further advanced to £5 9s. 10d.

1807, the duty further advanced to £6 9s. 10d.

1808, the product of iron was estimated at 300,000 tons.

1809, the duty, if imported in English vessels, was £6 10s.; in foreign vessels £6 6d. Iron slit or hammered into iron rods, or drawn, or hammered less than three-fourths of an inch square, was charged with a duty of £20. Iron previously prohibited, heretofore admitted at a duty of 50 per cent. Hoops were charged £11 8s. 4d. per ton, were now charged £23 15s.

1810, the product of this year was estimated at 400,000 tons.

1811, the price of iron in various countries was as follows:

Russia, (per ton,) £26 10s.; Belgium and Germany, £16 14s.; Sweden, £13 13s.; England, £10.

1812, the duty on bar iron was reduced to £1 10s.; that on hammered rods £20 to £5. Hoops remained at £23 10s. Pig iron at 10s.

English government thus advanced the duties upon iron fifteen times in a space of 147 years in all, from ten shillings, or \$2 50, in 1679, to \$35, always under specific duties.

subjoin a list of countries to which iron was exported at this time, arranged in order of the quantities taken by each.

830, the United States became the largest customer, and so continue to be.

	Tons.
United States.....	12, 631
Great Britain.....	12, 1
France.....	9, 5

France.....	7, 910
British West Indies.....	6, 908
North American colonies.....	6, 067
Portugal.....	6, 067
Netherlands.....	4, 759
Brazil.....	2, 789
Germany.....	2, 615
Foreign West Indies.....	2, 515
Mexico and South American republics.....	2, 317
Turkey and Egypt.....	2, 273
Gibraltar.....	1, 601
Spain.....	1, 493
Africa.....	1, 411
Malta.....	660
Denmark.....	319
Russia.....	158
Norway.....	94
Prussia.....	68
Sweden.....	10

It thus appears that England had become a large exporter of iron throughout the world before she reduced the high duties under shelter of which this manufacture had attained such a remarkable development. England was making iron, in 1826, at a price from 33 to 50 per cent. less than it could be made for in any part of Europe or America. For ten years previous to the reduction of the duties, England exported about nine times as much as she imported, and, of course, no duties were required for the protection of British iron. The iron imported by England at this period was almost wholly from Russia and Sweden, and was intended to be made into steel, and for *other special purposes*.

The heavy British duties were only removed when the manufacturers could afford to sell for less than \$50 per ton, or one-third less than it could be produced for in any other country. The British manufacturer never had a competitor having the power to injure him; he never dreaded one. It was strictly home competition that made the British iron the cheapest in the world.

Such fluctuations in the price of iron as have cost the American manufacturers hundreds of millions, were there never feared nor felt. Of course, the progress of the manufacture was steady while the market was covered by high duties, and after their repeal, in 1826, the markets of the world were secured by the ability of the British maker to sell iron at less than one-third what it could be made for elsewhere.

The advantages of ore, fuel, and other material in this country, the knowledge and skill in the art, the perfection of our machinery, and our processes of manufacture, all prove, beyond question, that iron and steel can now be produced, averaging equal, in all respects, to any made elsewhere, at a price as low, making allowance only for the difference in the price of labor in Great Britain and the United States. The practical difficulties of manufacture have been overcome, leaving to be surmounted only such as are economical or pertaining to the higher position of labor in the United States.

How can the nation then obtain the needful quantity of iron—by purchasing in Great Britain, or by making it at home? Our imports of iron have seldom exceeded 300,000 tons. Our consumption is nearly a million and a half tons, with a rapidly increasing demand. If the latter quantity of iron were to be shipped hither, freights would much more than be doubled: for 1,500 cargoes of 1,000 tons each, higher freight would have to be paid. Under such a vast demand prices would go to more than double the low rates which make British iron so tempting, and would continue to advance so long as such a demand con-

inued, and the cheap market would no longer exist. The only way to keep British iron cheap is to let it accumulate on the hands of the makers. And the only way to do that is to make the manufacture as effective at home as possible. This is the conclusion to which every careful view of the subject leads at last, by whatever path of inquiry the subjects of home and foreign industry are considered.

To manufacture a million and a half tons of iron in this country circulates a hundred millions of dollars among the people, it supports great masses of population, it builds towns and villages, it adds largely to the value of farms, it affords a market for at least forty millions in value of agricultural products. To make this iron at home creates a vast addition to the national wealth, and all the machinery and new inventions introduced and employed, and all the skill attained, constitute so much capital and productive power to enlarge the basis of taxation.

This increase of domestic wealth does not occur upon commodities produced for exportation. That department of industry is already in advance of demand with respect to most commodities. We have always more commodities for exportation than foreign countries will take at remunerating prices. Our industry, as applied to articles of export to Great Britain, cannot profitably be enlarged; it rests not merely on our capacity of production, but on the capacity or willingness of Great Britain to receive at full prices. It is obviously our better policy to produce the great staples of our consumption, for which our ability is without bounds, and reserve the proceeds of our exports to pay for such a selection from the varied manufactures of that country as may best suit the taste of our people and the wants of our industry. There must always be in the multifarious products of British manufacture a great variety of commodities suitable for our consumption, and we can never sell to a greater value of our products in British markets than will pay for that variety. To import our iron would simply limit this trade.

If, on the other hand, iron is made at home, so are the commodities which go to pay for it, and the parties to this double production may proceed to the utmost of their productive power, and until home competition effects here what it has done in Great Britain—makes iron as cheap, the difference being taken into account, as it is in that country.

Iron is more than ever an indispensable element in a strife between nations. Our late terrible war proves that no choice is left: the nation that would be strong must have unlimited command of iron, and every possible skill in employing it. It is not enough to possess mines of iron and fuel, if they are not made continuously efficient. Mines cannot be made productive at once. Skilled workmen cannot be made at once. Immense establishments adequate for the work of national defence cannot be provided for a sudden occasion. It is plain to any observer that the heavy armaments which helped to end the rebellion could not have been produced in this country but for the support which the manufacture of iron has received from the government for the last half century. But if that support had been more steady and efficient, the advantage to the nation, its armies, its navy, forts and arsenals, would have been far more than proportionably advantageous. The iron manufacture of this country will never attract the capital it needs, nor attain the success it deserves, until it is felt that it is out of danger from the competition of the cheaper labor of Europe.

Respectfully submitted.

STEPHEN COLWELL.

Hon. HUGH McCULLOCH,  
*Secretary of the Treasury.*



We repeat here some statements from a paper prepared by the writer of this report, and appended to a memorial on the subject of iron, in 1849:

There is a great misapprehension on the subject of the protection asked for industry. The term is ill chosen, because it implies special favor granted to particular branches of manufacture. But it is far from being a mere concern of individuals; it is equally a matter of public policy. Suppose the makers of iron in Great Britain and the United States to have equal advantages, and that the manufacture is carried to the utmost extent and the lowest point of remuneration by the home competition in each country, and that the average price of each is the same. If any state of industry could, with advantage, dispense with protection, it would be the case supposed. But it would be clearly the interest of both countries to be careful of their home markets, even in this case of perfect equality. It would be sound policy to keep the manufacture of an article so important as iron in prime vigor and progress, that the quantity might be increased, and the price reduced by the gradual process of home competition, which, in a protected market, is a severe but sure operation. One of the greatest trials the manufacturers encounter in such cases is that fluctuation which occurs every few years in all mercantile communities. To bear up under all these, and maintain the full vigor of production, is a hard trial upon makers of iron—the more so, as in their case their expenses do not admit of their being abridged, nor can their manufacture be diminished under a limited demand without heavy loss. Seasons of depression must come in both countries in the case supposed—periods when the markets of each would reject and be unable to consume the ordinary quantity. It must be thrown somewhere, for neither makers nor merchants are able or willing to hold the surplus of the iron until business recovers its tone and makes its usual demand. If the iron thus remaining on hand in Great Britain is thrown into our markets, it will wholly break them down if firm, and increase and continue the depression if already down. Between the two countries, while prices were up, there would be no transactions in iron, but the conflict would be incessant in periods of depression. It may be safely assumed, however, that without help the manufacturers could never recover from such a conflict; a few years would end the struggle by prostrating a large portion of those engaged. The business would have to be reorganized.

It would be sound policy, therefore, to shield each of these markets from the irregularities of the other. This course is best for the makers of iron, as well as for those who are special consumers, to whom it insures, in the long run, the cheapest supply.

#### FOREIGN IRON—ITS INFLUENCE ON PRICES.

As every country is dependent mainly on its own industry for its supplies, it is important that the industry which furnishes these supplies should be sustained. The prices of the nine-tenths furnished at home should range at such rates as to keep the production active and increasing. Unless it can be demonstrated that the whole supply could be permanently imported cheaper, it would be suicidal to extinguish the industry on which we are dependent for nine-tenths, in a vain experiment to purchase cheaper elsewhere. The prices in the home market should be such as are made by fair competition in the home market, in which all parties interested can take care of themselves. If our iron is made at home, all the labor which goes into the cost should be adequately compensated; the farmer who furnishes food for man and horse, the manufacturer who furnishes raiment, the laborer and the operative who are immediately employed in the production—all these and the consumer must settle the price; the elements are among them, and their combined action must maintain a result the nearest to justice, because they all look to their own interests.

*It is unjust and unwise to disturb and change this result by introducing a new*

t in a supply derived without restriction or regulation from foreign trade. that trade we are not in any sense dependent for pig and bar iron; we indeed, at this time be makers and consumers of a much larger quantity e have yet used, if we had not imported a ton of iron the last twenty years. ke the *quantity* we consume much cheaper than we could import it. Is that the tenth of our consumption which we import should regulate, to ury of the makers of the other nine-tenths, the prices of iron in this ? Yet the price is for the most part controlled by the movements of trade. It happens that our seaports are also the chief markets for tion of our domestic iron. The prices of every country or district are t its chief markets. If the consumption of iron on the seaboard is 300,000 r annum, the import of 50,000 tons foreign iron will control the prices, e it comes in to be sold for what it will bring. It is at once offered below aestic article, and consumers, seeing a disturbing cause in the market, until the effect is seen. A pause in the purchase of iron produces a fall, e some sellers must realize, and buyers take the advantage and keep it. ole mass of the domestic iron is brought to market to keep pace with ption, and the price demanded is a remunerating rate, and unless this is d the business must perish. The quantity imported is a mere overplus— ant from British markets, the sale of which at high or low rates is not a portant or vital matter to the manufacturers who sent it. At most it is per cent. of their product, and may be considered as their profit, greater as sold. What is vital to them is their *home price*; if that is fair on the e, they can afford to risk ten per cent. of their production in our market. e one who knows how prices are made to vary, not only by actual events, rumors and suspicions, reflect upon the effect of an additional ten per cent. eign article thrown in upon a previously balanced market, and he will e not only the necessary depression but the injustice of it to the industry l.

there is a feature in foreign trade which greatly increases the mischief of the market under its control. It is to a most extraordinary degree un- and fluctuating. The importing merchants are governed in some degree, es, by the actual demand, and their imports might, if exhibited, separately ome regularity. But a large portion of the imports are sent upon specu- and the quantity depends on markets abroad and the thousand contingen- ich may determine a larger or less export to our shores. The irregularity imports of iron from Great Britain is so striking as to demonstrate the y and injustice of making the prices of the domestic product subservient Beginning with the year 1820, coming down to 1845, and leaving out the al hundreds, the following figures exhibit the number of thousands of tons of all kinds imported into the United States from Great Britain each year rder:

Year.	Tons.	Year.	Tons.	Year.	Tons.
.....	8,000	1830.....	21,000	1840.....	72,000
.....	9,000	1831.....	41,000	1841.....	112,000
.....	15,000	1832.....	45,000	1842.....	107,000
.....	13,000	1833.....	62,000	1843.....	38,000
.....	11,000	1834.....	47,000	1844.....	102,000
.....	13,000	1835.....	63,000	1845.....	68,000
.....	12,000	1836.....	91,000	1846.....	.....
.....	21,000	1837.....	54,000	1847.....	.....
.....	22,000	1838.....	78,000	1848.....	.....
.....	17,000	1839.....	85,000	1849.....	315,000

These figures show a variation in the supply of iron derived from Great Britain of from 10 to upwards of 200 per cent., between one year and the next. Small as this quantity appears, compared with our whole consumption, it would always control the prices in New York, and thence those in the country. How little these fits and starts of commerce are like the sober pursuits of industry at home, where the annual product only varies to increase with the gradual increase of labor, capital, and consumption!

How can it be just to make the laborers' wages depend upon the variable movements of foreign trade?

The iron market in Great Britain affords a spectacle of fluctuation and speculation which has scarce any parallel. The range of prices varies from below the cost of manufacture to 150 per cent. advance upon the actual cost. It has been with British manufacturers, for the last twenty years, a constantly recurring feast or famine. Iron being an article not subject to deterioration, it is deemed safe to hold, and speculators step in when prices are at the lowest. Not only so, but at extremely low rates iron enters into a large consumption for which it is too expensive at high rates. At the low rates this increased consumption begins; contracts are made, enterprises are commenced, plans and estimates are gone into, which produce at last an effective demand for iron, sufficient to enable makers and holders to advance the rates in proportion to the wants of buyers, who hasten to supply themselves when the advance begins.

These fluctuations in price cannot be wondered at if we note the progress of the manufacture. The following is the estimate of the quantity produced in the years named:

Year.	Produced.	Exported to all the world.	Consumed.
	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>
1810 .....	294,642		
1820 .....	368,000	91,766	276,234
1825 .....	581,367	69,328	
1830 .....	678,417	130,417	
1835 .....	1,000,000	219,203	
1840 .....	1,500,000	268,328	1,231,672

The increase in product in thirty years was over 500 per cent.\* The increase in the export was less than 300 per cent. The increased consumption was very nearly 500 per cent. There was in that period no parallel to this progress in the world. It is not hard to comprehend the share which this increased consumption of iron had in the material progress of Great Britain.

If this manufacture is not overdone in Great Britain, it would be difficult to find any business overdone. It is only possible to keep up this large production through the operation of those fluctuations by which, in times of depression, the iron is taken into a large consumption at the low rates, and by which the makers indemnify themselves for the losses of one period by the high prices of another. By this system they export largely when they can do no better, and raise the prices so high at times, that exports must be greatly diminished. Upon this system of variation, the makers there thrive; but can these fluctuations be introduced elsewhere with advantage, or even without ruin? They are an incident to over-production there; they are an incalculable injury when brought to bear upon our industry.

As the progress of the manufacture of iron in Great Britain is one of the

\* The increase in fifty years was 1,000 per cent.

greatest achievements of industry in modern times, it may be worth while to consider what protection fostered and secured this wonderful growth.

Previous to this growth, pig iron had been scarcely known in commerce. England had no rival in the production of that article that could disturb her markets. The price may be shown thus :

1782 to 1803, 20 years, £3 to £9; 1803 to 1818, 15 years, £7 to £9; 1818 to 1840, 22 years, £4 15s. to £11; 1840 to 1849, 9 years, £2 to £5.

It will be seen that down to the year 1840 from 1782, in which period the production of iron in Great Britain had increased from 150,000 tons to 1,500,000, or tenfold, the makers enjoyed a price averaging over £6, and very seldom below £5. Upon this price the business flourished beyond precedent. After 1840, it became evident that there was an over-production and the British market broke down. The price of Scotch pig, which, after 1840, controlled the market, fell to £2, and even below that rate. It became the subject of speculation and fluctuation beyond any article of commerce.

It was the protection of this continued high price, for fifty years, which stimulated the production of pig iron. The revenue duty of 27½ per cent. was of no consequence; the importations of pig iron were too small to have any effect upon the markets.

Large importations of bar iron were made into Great Britain between 1782 and 1840; but that it may be clearly seen how far this importation interfered with the domestic product, note the prices of Russian and Swedish bars, the only kinds largely imported.

Russian bars: 1782 to 1795, 13 years, from £10 15s. to £16; 1795 to 1803, 8 years, from £17 to £25; 1803 to 1820, 17 years, £12 10s. to £22; 1820 to 1840, 20 years, £14 to £26; 1840 to 1849, 9 years, average £16.

Swedish bars: 1782 to 1795, from £14 15s. to £18; 1795 to 1803, from £19 to £26; 1803 to 1820, from £15 10s. to £21. Since 1820 the average has been about £13.

The above prices are exclusive of duty, which was increased from £2 16s. 6d. in 1782, by *ten different advances*, to £6 10s. (and £7 18s. 6d. in foreign ships) in 1820.

These prices were indeed in no degree an obstacle to the British manufacturers; they were, in fact, so high that no heavy importations could take place.

The largest importation in any year between 1800 and 1814 of bar iron, was 52,873 tons in 1802; during the nine years of that period the importation did not reach 30,000, and was sometimes below 20,000 tons.

From 1815 to 1840, the largest quantity of bar iron imported into Great Britain was 25,033 tons in 1836, but the average for the whole period was considerably below 20,000.

The British manufacturers required no legislative aid after 1800, yet such caution was used that the duties were increased from time to time to 1820, and were not removed until 1825.

#### EFFECT OF FOREIGN PRICES UPON THE MANUFACTURE OF IRON IN THE UNITED STATES.

The British maker had competitors who furnished iron, exclusive of duty, at from \$65 to \$100 per ton.

The competitor of our manufacturers has furnished bar iron—from 1815 to 1830 at \$50; highest \$72, lowest \$31. From 1830 to 1849 at \$38; highest \$55, lowest \$22.

But low as the averages are, compared with those against which the British manufacturer had to contend, they afford an inadequate idea of the destructive effect of this competition. The averages are comparatively high from the excessive range of the fluctuation. For three years, from June, 1820, to July, 1824, the price did not exceed \$46, and did not average over \$42.

From March, 1827, to July, 1836, the price did not exceed \$46.

From April, 1829, to October, 1835, the price did not exceed \$37.

From March, 1830, to March, 1833, the price did not exceed \$33, and for a year of this period it was under \$27.

For three years, including 1841 to 1843, the price was at \$24, and during 1842 as low as \$22.

It is such prolonged depressions as these which seriously injure, if they do not ruin, the maker of iron in the United States. He cannot meet such exigencies, neither by reduction of his expenditures, by reducing wages, nor by diminishing the amount of his product. He must continue his business at a serious loss for years, or he must stop and be ruined.

It cannot be doubted that these periods of low prices have hindered the progress of this branch of industry to a very important extent. It is scarcely extravagant to say, that with the same comparative protection which has been enjoyed in Great Britain, the product here would now have been scarce less than that of that country. If the home market had been equally secure to the makers here, as that of Great Britain was to the makers there, the consumption of iron here might now be 1,500,000 tons. The higher price would have been no obstacle, for where all labor receives a corresponding compensation the price is no obstacle in the exchange of labor. These fluctuations in prices, introduced from Great Britain, have proved an incalculable evil to the whole industry of the country. The fact that a portion of our annual supply has been imported at a very low cost, much lower than it could be produced for here, is no alleviation. Instead of consuming more, we have consumed less. Our consumers say that they work up far less iron at the low rates than when business is proceeding on the basis of home prices.

*Extracts from the statements and answers of the manufacturers of iron in Pittsburgh to the interrogatories of the revenue commission.*

"Labor has invested in manufacturing a much greater capital than the owners of the machinery. At present, the average individual earnings of the mechanical and operative masses are understated at one thousand dollars each per annum, a sum not quite equal to the legal interest of \$17,000.

"Should the manufacturer realize a net profit of six per cent. on the capital invested, he would realize a little over one thousand dollars on each \$17,000 invested. Taking an establishment capable of producing 5,000 tons of finished iron annually, its cost would be in accordance with our previous statements—\$625,000. The average number of hands employed in such an establishment would be about 500. Upon these employees would be dependent, at the average rate, 2,500 persons. The average wages paid to these 500 operatives, at \$1,000 per annum, would be \$500,000. The principal to produce this sum of interest annually would be \$8,333,333 worth of labor, the proportion being about one to twelve.

"While labor, then, requires protection more than machinery, in the proportion of twelve to one, the government also receives it to a larger extent than the manufacturer. The government receives, as previously shown, \$20 98 from each ton of iron, in direct and indirect taxes, and would obtain from the establishment instanced \$104,900. To procure this latter sum by legal interest would require a capital of nearly \$1,800,000, being in the proportion of 2½ to 1 of the value of the machinery of the establishment from which it obtains the interest of a principal as above stated.

"Is it not, then, for the benefit of labor and the government, rather than for themselves, that manufacturers appeal for protection against all those products of foreign low-priced capital, and low-priced European labor, that threaten to take from American industry the American market?

"Will the government fail to perceive that the parties interested in obtaining that protection are, first, the laborer or operative; second, the government; and lastly, the manufacturer?

"Iron ores are received from Lake Superior, Lake Champlain, Ohio, and western Pennsylvania. The iron we use comes from Ohio, Missouri, Tennessee, Kentucky, Michigan, Pennsylvania, Virginia, Maryland, and New Jersey.

"Average cost of ores in 1860, \$6 to \$6½ per ton; average cost of ores in 1864, \$13 to \$16 per ton; average cost of ores in 1865, \$13 to \$15 per ton; average cost of pig iron in 1860, \$21½ per ton; average cost of pig iron in 1864, \$55 per ton; average cost of pig iron in 1865, \$56 per ton. In 1860, blooms cost \$56 per ton; in 1864, blooms cost \$123 per ton; in 1865, blooms cost \$140 per ton.

"Capacity of rolling mills in Pittsburg, 300,000 tons, being 150 per cent. greater than in 1860. Cost of producing a ton of iron, 150 per cent. greater in 1865 than in 1860. Cost of fuel, 300 per cent. greater.

"Agricultural products have increased from 200 to 300 per cent.

"Cost of labor, carefully ascertained by some of our members visiting Europe in the summer of 1865, is only one-fifth to one-fourth of the cost in Pittsburg of the same work. Foreign competition checks the growth and improvement of our mills, renders our business uncertain and dangerous, from efforts of foreign makers to crush our competition.

"Mills producing from 8,000 to 9,000 tons, pay from \$375,000 to \$475,000 in wages.

"In 1860, the wages would have been \$150,000 to \$175,000.

"In our opinion, no estimate can be made of our payments to internal revenue until a settled policy is indicated, and encouragement to capital offered to make permanent investments, preventing evils referred to, giving steady and remunerative employment to skilled labor.

"Foreign articles have no advantage in our markets except price.

"We need protection sufficient to cover foreign low wages and cheap capital, and our own tax.

"Pig iron has been delivered free on board, in Scotland, for \$12 per ton, rails \$23 to \$30, and bar iron \$35 to \$37, within 90 days, in British ports.

"If gold should come to par without increase of duties, wages must come to foreign standard, or our manufacturing must cease, as internal tax more than overcomes all protection of the tariff.

"Average profits for the last five years, from 5 to 8 per cent.

"Provisions consumed by our operatives come from western, northwestern, and southwestern States.

"Price of farm and garden land in our vicinity, from \$200 to \$2,000 per acre.

"Land has risen, when rolling mills were started in 1862, from \$25 to \$50 per acre to \$400 to \$500 per acre.

"Our markets are in northern northwestern, and southern, and southwestern States; and, without foreign competition, would be in extreme eastern and southern States.

"An establishment capable of producing in the United States ten thousand tons of finished iron per annum, would cost for ore, leases, lands, blast furnaces, mills, houses, and appurtenances necessary for the full equipment, from the ore to the finished iron, at the present time.....

\$1, 250, 000

Capital to carry it on in all its branches.....

750, 000

2, 000, 000

A similar one in Great Britain costs over .....

\$500, 000

Capital to carry it on would be.....

300, 000

800, 000

Interest on \$2,000,000 capital invested in American establishments, at 8 per cent.....	\$160,000
On \$800,000 in English, at 5 per cent.....	40,000

Leaving a balance of interest against the American manufacturers of.....	120,000
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“This is equal to \$12 per ton on the amount made, or 15 per cent. net profit upon the sum invested in the English iron-works; an amount of interest satisfactory to English manufacturers, and which would justify them in large investments.

“In addition to this great advantage held by European manufacturers against the industry of the United States, the rate of wages is another heavy item against the productive interests of this nation.

“In the United States, a fair average cost of producing pig iron is not less than (per ton).....	\$35 00
Waste in converting it into finished merchant bar is.....	8 75
Cost of manufacturing one ton of finished iron, including the cost of coal, as shown by the books of our manufacturers, is not less than.....	52 00
Excise tax upon 1½ ton pig.....	\$3 36
Excise tax upon 1 ton average finished.....	4 80
Excise tax upon coal used.....	48
	8 64

Total.....	104 39
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“In England or Wales, the cost of producing 1 ton of pig is from \$12 to \$16, or an average of.....	\$14 00
Add ¼ ton of pig, to give sufficient to produce 1 ton of iron.....	3 50
The cost of manufacturing 1 ton of iron, including incidental expenses, is, as near as can be estimated, from £3 10s. to £4, or say.....	20 00

Total.....	37 50
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Total American iron.....	\$104 39
Total English iron.....	37 50

Total difference .....	66 89
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“To the difference shown by the figures given, it is just to add the difference per ton caused by larger interest on the greater capital invested in the United States to operate an establishment capable of yielding 10,000 tons per annum.

“This difference of \$12 per ton, added to the \$66 89, makes \$78 89, the total amount that iron can be produced more cheaply in Great Britain than in this country.

“To equalize this great advantage in favor of foreign capitalists and foreign industrial interests, there are two avenues open. The one is to reduce the whole system of labor in the United States to the standard of that of Europe, to bring the rates of interest on capital to the same percentage, and place our industrial classes on the same level with those of foreign manufacturing nations. The other is to sustain the American operatives upon their more elevated position; to preserve to capital that wider range of interest which induces it to greater activity in the development of the resources of the country; to maintain the true

spirit of republicanism by providing for the prosperity and progress of the masses, not the enrichment of the few, by such protective duties as will place the products of European labor at the same cost in the United States as those resulting from the skill and strength of American operatives.

"In our opinion, the latter course must be adopted, if the immense raw materials of the nation are by any system of manufactures to be made valuable. The mountains of minerals underlying the soil of the United States are worthless, save so far as the hand of labor gives them value. They rest where placed by the hand of the Creator, without force in the progress of the world, until they for whose comfort and whose progress they were designed by the Almighty, obeying his great command of labor, adapt them by the sweat of their brow to the supplying of daily bread.

"Through whatever transmutations the raw material passes, by aid of whatever machinery, *labor* is the great agent.

"The labor of the United States, as already shown, is in a position so entirely different from that of Europe, that in its exertions to give value to the minerals of the country, it can only do so under greater cost of living than in foreign nations. Therefore it is that we ask protection against all the products of all nations, and all things that will tend to crush the energies of this country, and because we believe that of right the market of each nation belongs to its own laborers."



Years.	Quantity of Iron made in Great Britain.	Quantity of Iron exported from Great Britain.	British Iron of all kinds exported to the United States.	Pig Iron imported from Great Britain into the United States, and the duty per ton.	Tons.	Duty.	Price of pig iron, per ton, in Great Britain.	Price of pig iron, per ton, in the United States.	Bar Iron imported from Great Britain, and prices in Great Britain.	Tons.	Prices.	Average price, per ton, of common English bars in New York.	British import duties, per ton, on bar iron.	Import duties, per ton, on bar iron in the United States.	Rolls.	Tons.	Rails imported into the United States.	Duty per ton.	Price of Welsh rails, per ton, in England.	Price of American rails, per ton, in the United States.	
1810.	294,642	Tons.	Tons.				\$23 to \$43					\$67 to \$72		\$30 35							
1811.							33 to 43					67 to 70		30 35							
1812.			5,339				33 to 43					61 to 67		30 35							
1813.		57,791					33 to 43					58 to 63		31 16							
1814.							33 to 43					62 to 67		31 16							
1815.		57,019					33 to 43					7,245 to 68		31 16	\$9 00						
1816.		79,596					33 to 43					7,245 to 68		31 16	\$9 00						
1817.		72,944					33 to 43					7,245 to 68		31 16	\$9 00						
1818.		105,724					33 to 43					7,245 to 68		31 16	\$9 00						
1819.	300,000	107,631	13,373				33 to 43					7,245 to 68		31 16	\$9 00						
1820.	368,000	82,546	8,351				33 to 43					7,245 to 68		31 16	\$9 00						
1821.		101,683	8,199				33 to 43					7,245 to 68		31 16	\$9 00						
1822.		103,756	5,502				33 to 43					7,245 to 68		31 16	\$9 00						
1823.		107,600	11,781				33 to 43					7,245 to 68		31 16	\$9 00						
1824.		452,066	105,600				33 to 43					7,245 to 68		31 16	\$9 00						
1825.	251,367		85,828				33 to 43					7,245 to 68		31 16	\$9 00						
1826.		85,985	12,491				33 to 43					7,245 to 68		31 16	\$9 00						
1827.	680,500	140,730	21,555				33 to 43					7,245 to 68		31 16	\$9 00						
1828.	703,184	112,365	22,085				33 to 43					7,245 to 68		31 16	\$9 00						
1829.		131,092	17,367				33 to 43					7,245 to 68		31 16	\$9 00						
1830.	678,417	130,417	21,300				33 to 43					7,245 to 68		31 16	\$9 00						
1831.		162,577	41,452				33 to 43					7,245 to 68		31 16	\$9 00						
1832.		162,577	41,452				33 to 43					7,245 to 68		31 16	\$9 00						
1833.	700,000	179,441	62,953				33 to 43					7,245 to 68		31 16	\$9 00						
1834.		174,441	62,953				33 to 43					7,245 to 68		31 16	\$9 00						
1835.	1,000,000	819,293	63,012				33 to 43					7,245 to 68		31 16	\$9 00						
1836.	1,300,000	819,293	63,012				33 to 43					7,245 to 68		31 16	\$9 00						
1837.		827,213	74,030																		

1841.	1842.	1843.	1844.	1845.	1846.	1847.	1848.	1849.	1850.	1851.	1852.	1853.	1854.	1855.	1856.	1857.	1858.	1859.	1860.	1861.	1862.	1863.	1864.	1865.
1,599,608	1,353,543	1,340,875	1,512,500	1,512,500	1,512,500	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608	1,599,608
5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31	5 31
10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50	10 50
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23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253	23 253
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59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10	59 10
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69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54	69 54
70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04	70 04
71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11	71 11
72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34	72 34
73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37	73 37
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17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00	17 00
22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40	22 40
74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702	74 702
1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300
13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50	13 50
33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10
33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10	33 10

\* Exclusively from Great Britain.

† Those quantities include only bar and bolt, merchant bar, rails, and pig.

‡ Nearly all from Great Britain.

§ Average price in London during whole period from 1843 to 1850, both inclusive.

|| Average yearly prices in Glasgow, mixed Nos. f, g, b.

¶ 60 cts. per 100 lbs., set of July 1, 1864. Present duty, \$15 68, being 70 cts. per 100 lbs.

*Report on steel.*

All that has been or can be said of the importance of the domestic manufacture of iron is equally applicable to the domestic manufacture of steel. There is, perhaps, no circumstance connected with the progress of our home manufacture upon which we have more reason to congratulate ourselves than upon the complete and extraordinary success which, within a few years, has crowned the efforts of those who are engaged in this business. The attempt to make a high quality of steel has been continuous for more than thirty years. Much toil of brain and hand have during that time been thus expended, and large sums of money have been sunk. We now see the fruit, though, as often happens, it has not rewarded the pioneer. Whether the success is due to the great necessities and demands of war, or to the results of discoveries and experience occurring previous, cannot, perhaps, be fully known; but certain it is, that but five or six years since many of the best informed on such subjects doubted whether we should not always be indebted to foreign mines and foreign labor for steel. Now, no one who is well informed has a doubt that our country has nearly emancipated itself from such dependence, and is secure of a full supply of the best qualities of steel in peace and war, and for all the demands and exigencies of industry. It is fully demonstrated that the requisite qualities of iron are found within our boundaries, that the requisite skill and knowledge is now attained, and that the requisite confidence in American cast steel and common steel is now established. It has been tried throughout all the manufacturing States by the most skillful manipulators of steel in fine cutlery, edged tools, in both heavy and delicate machinery, and the evidence of its success is complete and irrefutable. Testimony on that subject will be submitted with this report, which cannot fail to carry conviction to all friends of domestic labor, and to satisfy them that American perseverance and ingenuity has triumphed in the production of the highest quality of cast steel, an object vitally important to the progress of national industry.

While there remained a doubt as to our having attained the art of making steel of the best quality in this country, or of our having the material of which to make it, our dependence on England for a supply might be endured as an evil without remedy; but now, as it has been demonstrated that we have abundance of iron adapted to the manufacture of this indispensable aid to industry, not an hour should be needlessly lost in establishing this branch of production, not only in the safest but the strongest position that legislation and public favor can place it. Our manufacturing system, our national defences, cannot afford to be dependent upon England for steel any more than for iron. Our metal should not be less reliable than that of those who are our competitors and rivals in manufactures, and who may be our enemies in war. The importance of steel is evinced by the proverb, "true as steel," which is thus made the emblem of truth and faithfulness. If this country shall only be as true as steel to one of its highest interests, it will seize the present opportune occasion to place its manufacture upon a basis which cannot be shaken nor endangered. It needs only the home market to give it this position of safety and success. The permanent progress of that industry to which the country looks for its internal revenue is not less indebted to steel than to any other agency placed in the hands of labor.

From answers under oath to interrogatories propounded by the commission to James Parks, esq., of Pittsburg, of the highly respectable firm of Park, Brother & Co., we take the following statement and figures in regard to the manufacture of steel, its prices, and the cost of labor in England and the United States:

"The grade of steel we are now (1865) selling in Pittsburg for 13 and 15 cents per pound, sells at 6 and 7½ cents in Sheffield, England. The grade of hammered steel we are now selling in Pittsburg at 19 cents per pound, sells

at 11 cents in Sheffield, England, and is sold in this country at from 14 to 16 cents per pound in gold.

The rates of wages paid by the cast-steel manufacturers in the year 1860 were as follows:

For puddling a ton of 2,000 pounds.....	\$4 20
For rolling a ton of 2,000 pounds.....	55
For heating a ton of 2,000 pounds.....	55
For heater's helper, a ton of 2,000 pounds.....	18
For catching a ton of 2,000 pounds.....	30
For straightening a ton of 2,000 pounds.....	25
For converting a ton of 2,000 pounds.....	1 90
For converter's helpers, a ton of 2,000 pounds.....	85
For shearing and steel-breaking a ton of 2,000 pounds.....	60
For mixing a ton of 2,000 pounds.....	40
For melting a ton of 2,000 pounds.....	4 50
For pulling out a ton of 2,000 pounds.....	2 50
For moulder, a ton of 2,000 pounds.....	1 50
For coker, a ton of 2,000 pounds.....	1 50
For chipping ingots, a ton of 2,000 pounds.....	54
For hammering to finished bar, a ton of 2,000 pounds.....	21 00
For inspecting a ton of 2,000 pounds.....	2 10
For laborers, a ton of 2,000 pounds.....	90
For portorage, a ton of 2,000 pounds.....	75

Cost of labor per ton of 2,000 pounds delivered at Pittsburg warehouse in 1860..... 45 07

Cost of fuel and crucibles in Pittsburg, in 1860:

For 320 bushels coke to ton of 2,000 pounds finished steel, at 4 cents..	12 80
For 190 bushels coal to ton of 2,000 pounds finished steel, at 4½ cents..	8 55
For 12 bushels charcoal to ton of 2,000 pounds finished steel, at 7 cents..	84
For 15 crucibles to ton of 2,000 pounds finished steel, at \$1 80.....	27 00

Cost of labor, fuel, and crucibles per ton of 2,000 pounds of cast steel, in 1860..... 94 26

"The rates of wages paid at our works during the year commencing August 1, 1864, and ending August 1, 1865, were as follows. The same rates are now being paid. Our business year ends on the 1st of August, and we therefore give you figures taken from our books from our last year's business:

For puddling a ton of 2,000 pounds.....	\$7 33
For rolling a ton of 2,000 pounds.....	1 12
For heating a ton of 2,000 pounds.....	1 12
For heater's helper, a ton of 2,000 pounds.....	37
For catching a ton of 2,000 pounds.....	63
For straightening a ton of 2,000 pounds.....	50
For converting a ton of 2,000 pounds.....	3 50
For converter's helpers, a ton of 2,000 pounds.....	1 40
For shearing and steel-breaking a ton of 2,000 pounds.....	1 25
For mixing a ton of 2,000 pounds.....	85
For melting a ton of 2,000 pounds.....	5 50
For pulling out a ton of 2,000 pounds.....	3 50
For moulder, a ton of 2,000 pounds.....	2 00
For coker, a ton of 2,000 pounds.....	2 00
For chipping ingots, a ton of 2,000 pounds.....	1 20

For hammering to finished bar a ton of 2,000 pounds.....	\$24 00
For inspecting a ton of 2,000 pounds.....	3 10
For laborers, a ton of 2,000 pounds.....	1 70
For portorage, a ton of 2,000 pounds.....	1 25

Cost of labor per ton of 2,000 pounds delivered at Pittsburg warehouse,  
1864-5..... 62 32

Cost of fuel and crucibles in Pittsburg, in 1864-5:

For 320 bushels of coke to ton of 2,000 pounds of finished steel, at 11½ cts.	36 80
For 190 bushels of coal to ton of 2,000 pounds of finished steel, at 12¾ cts.	24 22
For 12 bush. of charcoal to ton of 2,000 pounds of finished steel, at 16 cts.	1 92
For 15 crucibles to ton of 2,000 pounds of finished steel, at \$3 20 cents...	48 00

Cost of labor, fuel, and crucibles, per ton of 2,000 pounds of cast steel,  
in 1864-5..... 173 26

"Thus it is seen that the amount of labor, fuel, and crucibles in 1860 was \$94 26 per ton of 2,000 pounds, whilst the cost of the same in 1864-5 was \$173 26, showing that these items alone cost \$79 per ton, of 2,000 pounds, more in 1864-5 than they did in 1860.

"As we were not engaged in the steel business in 1860, we are consequently without any reliable data to enable us to arrive at correct figures as to the full cost of manufacturing cast steel in that year, but we will proceed to give you the cost per ton, incurred from interest, salaries, repairs, rents, and expense, adding excise tax, which will show the whole cost incurred in manufacturing cast steel in 1864-5:

*Cost of cast steel in 1864-5.*

Cost of labor, fuel, and crucibles, per ton of 2,000 lbs.....	\$173 26
" interest account, per ton of 2,000 lbs.....	23 70
" salaries, per ton of 2,000 lbs.....	5 80
" repairs, per ton of 2,000 lbs.....	15 20
" rents, per ton of 2,000 lbs.....	82
" expense, per ton of 2,000 lbs.....	30 20
" direct excise tax, per ton of 2,000 lbs.....	15 00

264 03

Cost of iron before being worked, and loss on same..... 70 00

334 03

Selling price now, 15 to 19c. per lb. average per ton of 2,000 lbs.... 340 00

Gain per ton of 2,000 pounds..... 5 97

"In 1860 the description of iron, same as we quote for 1864-5 at \$70 per ton, could be purchased at \$25, which, with loss on same, would make it cost, say, \$28 per ton.

"The rates of wages paid by the cast-steel manufacturers in Sheffield, England, in 1865, are as follows. These rates were recently obtained from one of the prominent cast-steel manufacturers of Sheffield, whose letter is now in our possession. Upon making careful inquiry from the Sheffield men in our employ, we find their testimony proves the rates we now give as being the prevailing ones paid throughout their native town. We would here mention, that the waste from the pig iron or bloom, to the finished bar of cast steel, is about the same in England as it is in this country, whilst the cost of interest, salaries, repairs,

rents, fire-brick, and all general expenses is not more than one-half what they are in this country.

"The rates of wages, per ton of 2,000 lbs., paid by the cast-steel manufacturers of Sheffield, England, in the year 1865, are as follows:

	<i>s.</i>	<i>d.</i>		
For puddling.....	10	0	a 24c. to shilling....	\$2 40
For rolling .....	1	4	"	32
For heating .....	1	4	"	32
For heater's helper.....		6	"	12
For catching.....	10		"	20
For straightening .....		9	"	18
For converting .....	4	6	"	1 08
For converters' helpers .....	2	8	"	64
For shearing and steel breaking .....	1	6	"	36
For mixing .....	1	0	"	42
For melting .....	6	2	"	1 43
For puller-out .....	5	8	"	1 36
For moulder .....	3	0	"	72
For coker .....	3	10	"	92
For cellar boy.....		10	"	20
For chipping ingots .....	1	0	"	24
For hammering to finished bar .....	30	0	"	7 20
For inspecting .....	3	6	"	84
For laborers .....	1	8	"	40
For porterage .....	1	0	"	24
	<u>£4</u>	<u>1</u>	<u>1</u>	<u>19 46</u>

Cost of labor per ton of 2,000 lbs. delivered at Sheffield warehouse, in

1865.....\$19 46

Cost of fuel and crucibles in Sheffield, in 1865, per ton of 2,000 lbs. finished steel:

	<i>s.</i>	<i>d.</i>		
For 320 bushels of coke.....	15	0	per ton a 24c..	20 70
For 190 bushels of coal.....	10	0	"	15 60
For 12 bushels of charcoal .....		8½	per bush. "	2 04
For 20 crucibles.....	1	3	each "	6 00

Cost of labor, fuel, and crucibles, per ton of 2,000 lbs. cast steel in England, in 1865.....

63 80

"From the foregoing statements it will be seen that the cost of manufacturing one ton of cast steel in Pittsburg, for the year commencing August 1, 1864, and ending August 1, 1865, embracing the items of labor, fuel, and crucibles only, amounts to \$173 26, whilst to the English manufacturer the same items cost but \$63 80, being \$109 46 upon each ton of 2,000 lbs. of cast steel in favor of the foreign maker. When the item of government direct excise tax, viz: \$15 per ton, is added to the cost of the American steel, the difference will show \$124 46 in favor of the English manufacturer.

"Taking one-half the amount for interest, salaries, repairs, rents, and expense, as shown to have cost us in 1864-'65, (and we believe the amount would be as near correct as possible,) as being the cost to the English, and leaving the cost of iron out of the question, and a difference is shown in his favor of \$162 35 on each ton of cast steel.

"Not being engaged in the business of manufacturing cast steel in 1860, we have no aggregate amount of wages to report for that year.

"Our 'hands' pay' for the year commencing August 1, 1864, and ending August 1, 1865, amounted to \$70,251 24. If our works were completed and in full operation, producing their maximum capacity of product, at the present rates of wages, the 'hands' pay' would be fully if not exceed in amount \$300,000 per annum; and for the items of fuel, crucibles, and iron, would exceed in amount the sum of \$870,000 annually.

"9th interrogatory. What testimony can you furnish of the comparative qualities of American and English steel? State to what uses American steel is now applied chiefly.

"Answer. We forward with this paper a number of original letters received from some of the most celebrated edge-tool manufacturers and machinists of this country. From these letters you will notice that the steel of our manufacture is esteemed fully equal in quality to that of the best English makes. American cast steel of the higher grades is now chiefly used in the manufacture of edge tools, drills, machinists' tools, &c., &c., whilst the rolled cast steel of American manufacture is extensively used in the construction of cotton, woollen, agricultural, and other machinery, and is esteemed as being much superior in quality to the English cast steel of similar grades.

"10th interrogatory. What is the present condition and prospects of the steel manufacture in this country, and what does it suffer from foreign competition?

"Answer. The present condition and prospects of the cast-steel manufacture of this country are extremely gloomy. Government and other taxes, high price of material, high rates of interest, &c., about equal in amount the present tariff, and nothing but the present high rate of premium on gold enables some few of the manufacturers of cast steel in this country to keep their 'heads above water,' whilst it is a well-known fact that many of them, for want of protection against the low rates of wages, low rates of interest, and low cost of materials to the English manufacturer, have 'gone under,' and their works are now lying idle. The business of manufacturing cast steel in this country is comparatively in its infancy, and consequently 'skilled labor' has to be imported, at great expense, from across the Atlantic, until workmen of native growth can be educated to the business. Extreme high rates of wages have to be offered and paid, to induce the foreign skilled laborer to come and make his home in this country.

"12th interrogatory. What would be the effect upon the manufacture of steel if gold were suddenly to come to par?

"Answer. If gold were suddenly to come to par, every cast-steel manufacturer in this country would be compelled to stop his works and allow them to lie idle until government would give him the protection necessary to enable him to compete with the English manufacturer. We would here take the liberty of saying, that the rates of tariff for the two higher grades, as suggested by the cast-steel manufacturers, as per printed pamphlet accompanying this paper, are, in our opinion, scarcely high enough to enable the cast-steel manufacturer to fully compete with the English manufacturer, and that the hope the American manufacturer of cast steel must live upon is, that should gold go to par, a material reduction in the price of raw material and labor may soon follow, and that the rates of protection asked for, if obtained, may enable him to carry on the business with profit. If these hopes are realized, we believe that, with the protection asked for and a decline in the cost of raw material and labor, it will not be long ere, by dint of enterprise and improvements for its economical manufacture, aided by native skill, the American manufacture of cast steel will arrive at great perfection in this important branch of business. What is now wanted is sufficient protection until native skilled labor is abundant, and 'all will be well.'

"14th interrogatory. What losses have you sustained by the fall of prices

since the 1st of January, 1863, and what has been the rate of your clear gains in that period on your investment in the works?

"Answer. The losses we have sustained by the fall of prices since the 1st of January, 1863, to the 1st of August of the present year, (1865,) amounts to ninety-seven thousand eight hundred and twenty-three dollars and seventy-five cents, (\$97,823 75.) The amount of our clear gains from the time we embarked in the business, October 1, 1862, to August 1, 1865, is forty-nine thousand six hundred and twenty-four dollars and twenty-nine cents, (\$49,624 29.) Our investment in the works exceeds the sum of five hundred thousand dollars, (\$500,000.)

"17th interrogatory. What was the amount of the United States tax on your manufacture of steel in 1863, 1864, and 1865?

"Answer. The amount of United States tax upon our manufacture of steel, in 1863, was \$888 16; in 1864, was \$7,459 31; in 1865, was, to December 1, \$17,822 51. The United States tax upon the capacity of our works, when fully completed, would amount to about \$90,000 per annum.

"18th interrogatory. Make any other statement which may throw light on this subject.

"Answer. We believe you will find, in the printed pamphlet accompanying these replies to your interrogatories, about all we could give you calculated to throw light upon the subject in question, and respectfully request you to give it a careful perusal."

The following paper, being that just referred to, prepared for the commission by James M. Cooper, esq., of the firm of Hussey, Wells & Co., of Pittsburg, and signed by the leading manufacturers of steel in the United States, is annexed as a part of this report. Its facts and figures are deserving of the highest confidence, and will endure the closest scrutiny.

Respectfully submitted.

STEPHEN COLWELL.

The manufacture of American cast steel has, within the last five or six years, assumed a rank and importance among the great manufacturing industries of our country, that its just claims to be considered as an element of national wealth cannot be reasonably ignored, and it should therefore receive its full share of the fostering care of the government for its support.

That we possess all the appliances, and the ability to produce in this country steel of every description, from the lowest grade to the very finest quality imported, *made exclusively* from American stock, is now an established fact; demonstrated beyond the possibility of dispute, upon testimony from which there can be no appeal, and which we are prepared to furnish in overwhelming variety and quantity.

Among the severest tests of the comparative quality of English and American cast steel, it may be stated, that the celebrated fifteen and twenty-inch guns manufactured by Messrs. Knap & Co., at the Fort Pitt Works, are all bored and turned with tools made exclusively from American cast steel. These gentlemen inform us that its strength is so much greater, that much heavier cuts are taken upon large ordnance than any English steel will stand. The sabres which have been furnished to our armies by the great establishment of C. Roby & Co., West Chelmsford, and of the Ames Manufacturing Co., at Chicopee Falls, Mass., and others, are likewise made of Pittsburg steel, in preference to all imported steel.

American cast steel is extensively used in our public and private armories, for the manufacture of bayonets, pistols, carbines, &c. In short, there is no use to



which steel can be applied, in which it does not compete successfully as to the quality with the best imported brands.

Our increasing production, until checked by the declining premium on gold, has been gradually but surely supplanting the foreign article, and gaining everywhere a preference among consumers, on account of its quality; while with the protection partially conferred, it was creating a competition at home, which, in addition to that from abroad, must always keep down the price to a bare profit upon the cost of its manufacture.

The manufacture of American cast steel received a fresh impetus by the Morrill tariff of 1861, when the duty was increased from 12 per cent. *ad valorem* to a full revenue (not protective) standard by specific rates. This was at a time when the three main ingredients in the conversion of steel were at the peace standard. It was suited to the then existing circumstances of moderate production, and of consequent inadequate supply, being so very reasonable as to disarm opposition even from the importing interest.

The exigencies of the government, however, in the suppression of the rebellion, required the imposition of a heavy excise upon all manufactures. This was increased from time to time, until it amounted to fifteen dollars per ton upon cast steel, in addition to the income tax of ten per cent. upon the profits.

It may be said that the excise upon American steel was compensated for by a proportionate increase of imposts; but this is not the truth practically, as we shall show that the importation cost per invoice confines the duty to the two lowest grades, while the American article is taxed almost exclusively on the highest, being levied upon the selling price and not upon cost; besides which, no income tax, or its equivalent, is collected from the foreign importer of steel.

At this point, the inquiry is pertinent, why the foreign manufacturer, vending his commodity by his own agent or resident partner in this country, and importing it at its *naked cost of manufacture abroad, in all cases*, passing it by himself or agent through our custom-houses, and sending the proceeds of his sales home in the shape of gold or foreign exchange, or in our national securities, should not be obliged to pay a tax upon his profits, realized from *his sales* of foreign steel, equally with the American manufacturer upon his sales?

Instead of this, the only tax upon his business in this respect is probably a merchant's license, and possibly a duty upon his agent's salary above \$600.

The tariffs of 1861 and 1862 operated so favorably, that until the effects of the war upon the cost of labor and materials began to be seriously felt, the price of cast steel was *actually reduced* in the face of an increased duty. But very soon labor became high, and laborers scarce. Coal and iron, which are labor in another form, advanced largely because of the demand for men to fill our armies, and their consequent withdrawal from the pursuits of industry. Many thousands have perished, and many more thousands are needed to repair the waste and destruction of the war. Iron and labor are therefore fully 100 per cent. and fuel 200 per cent. higher than in 1861, and as no corresponding advance in these elements in the manufacture of steel has occurred abroad, it is obvious that we cannot longer contend with success against foreign competition, without additional protection to secure us from its ruinous effects.

The premium on gold affords a precarious and uncertain protection, without which, however, no American establishment for the manufacture of steel could exist; but compared with the greatly enhanced cost of everything entering into the production of steel in this country, it will be seen at once that the premium on gold is wholly inadequate to sustain us against foreign competition in our own markets.

It cannot be successfully shown that labor and materials keep pace with the fluctuation between coin and currency, because the former are regulated more by supply and demand, and hence it is a recognized and admitted fact, that the cost of living and the price of materials are in most instances as great now, when

gold commands a premium of but 46½ per cent., as when it was at the highest point, or 175 to 190 per cent. above par.

It is frankly conceded, that when the premium on gold was at the highest rate, the American steel manufacturers were largely benefited by the incidental protection that afforded; new life and energy were infused into the business; new establishments were started, increasing the home competition and production; but full advantage was not taken of this protection by the American manufacturers, who steadily sold their product of best cast steel, because they could afford it, at 10 or 15 cents per pound less than the price of best English cast steel in our markets, and all other descriptions in the same proportion.

Notwithstanding this great disparity in price during the year 1864, the importation of foreign steel appears to have continued without interruption, and the growing wants of this country, and the new and multiplied uses to which steel is being applied, render it morally certain that an increased duty of 50 to 100 per cent. will not materially lessen the imports for some time to come, while it would greatly encourage the manufacture at home, at the same time increasing the revenues both from excise and imposts.

It cannot be successfully shown that an increase of duty on imports would result in a similar advance of price to the consumer of steel. All past experience, on the contrary, in regard to manufactures of iron and steel, proves exactly the reverse. To illustrate this point, we have only to indicate ascertained results upon the entire list of hardware goods, including shovels and spades, scythes and agricultural implements, cutlery, files, axes, saws, edge tools, locks, hinges, wood screws, &c.

In every instance the encouragement afforded by liberal protection in the form of duty has resulted in supplying the consumer with American goods of superior quality, and at lower prices than the imported articles of the same kind commanded, until the English have finally abandoned the field of competition, and look elsewhere than to this country for a market.

It was this policy that has made New England rich and prosperous, and dotted her territory all over with manufacturing villages and hamlets, for the production, in endless variety, of domestic hardware. The fact is patent to every dealer in foreign and domestic hardware, that importations in that line have been so diminished within twenty years, that, as compared with the enormous production of this country, they sink into utter insignificance.

May we not, then, profit by such lessons of experience for the general good, in respect to the manufacture of steel, as well as to that of articles of inferior value and importance? The same encouragement in regard to the conversion of steel, now that it is shown that our country abounds with iron equal to the best Swedes, and suited to the production of every description of steel, will, when we have educated the skill at home necessary to its proper manipulation, give to American cast steel its true position, not only with the consumers of our own country, but it will ultimately contend for a preference over all others in the markets of the world.

In this connexion we are prepared to show, that in the event of a foreign war, our own establishments for the manufacture of steel, if stimulated into full activity by generous legislation, can be speedily made to produce every pound of this indispensable material that may be needed by the government in the manufacture of arms, as well as for the ordinary demands of trade.

From the Pittsburgh Quarterly Trade Circular, for April 1865, we learn that there was forwarded from that city, by railroad alone, to twenty-one States and Canada, from the 1st of September, 1862, to 1st of September, 1863, steel in bars and sheets, or in the shape of springs and plough wings, amounting to 7,824,873 lbs., and for the subsequent twelve months, to September 1, 1864, 11,874,202 lbs. There are no ready means of ascertaining shipments by river or consumption at home.

It appears, however, from the assessors' books for the 22d and 23d districts of Pennsylvania, including the cities of Pittsburg and Allegheny, that the quantity of steel returned for excise from the 1st September, 1862, to the 30th September, 1864, a period of two years and one month, was as follows, viz: 21,168,000 lbs., paying an excise tax of \$97,416 09, and worth at the ruling prices about \$4,500,000.

For the year ending July 1, 1864, the eastern steel manufacturers turned out 7,742,000 lbs. of cast steel, and they claim a present capacity of thirty-five tons per day.

The capacity of the various steel establishments west of the mountains, all of them at present in and around Pittsburg, may be fairly estimated at seventy-five tons per day. The manufacture of puddled steel for rails, tire, &c., is about being commenced in Pittsburg and Harrisburg on an extensive scale; it is already in successful operation at Troy, New York. And a similar undertaking for the manufacture of steel by the Kelly process from Lake Superior iron is now being attempted at Chicago and Detroit, each of which enterprises is well worthy of special regard as a work of national importance.

In the details of steel from the assessors' books we do not include a large portion which is manufactured into springs, plough wings, &c., and which pays an *ad valorem* rate as manufactures of steel.

The imports of foreign steel, as we have been able to obtain them from the several custom-houses, are as follows, viz:

Baltimore, for two years ending October 1, 1864:	
Steel valued at 7 cents per lb. or less, 8,537 lbs., value.....	\$408
Steel valued over 7 cents and not over 11 cents, 35,987 lbs., value	3,433

Philadelphia, for two years ending October 1, 1864:	
Steel valued at 7 cents per lb. or less, 2,071,060 lbs., value.....	91,438
Steel valued over 7 cents and not over 11 cents, 1,093,507 lbs., value .....	111,784
Steel valued over 11 cents, 22,084 lbs., value. ....	2,494

New York, for one year ending June 30, 1864:	
Steel valued at 7 cents per lb. or less, 4½ cents, 14,308,828 lbs. ...	641,883
Steel valued over 7 cents and not over 11 cents, 9½ cents, 11,057,947 lbs. ....	1,098,380
Steel valued over 11 cents, 25 per cent. <i>ad valorem</i> , 2,698,093 lbs., estimated.....	404,714

Boston, for one year ending June 30, 1864:	
No particulars, except steel of all kinds imported, 5,391,913 lbs., estimated value .....	485,272

Estimated as above, the importation of steel into these four principal ports of entry for 1864 is 35,072,368 lbs., of the value, as passed through our custom-houses, of \$2,735,027; while less than two-thirds the quantity of American steel entered for excise in the twenty-second and twenty-third districts of Pennsylvania alone, amounting in twenty five months to 21,168,000 lbs., is valued at \$4,500,000. This great disparity in value arises from the fact that foreign steel is passed at our custom-houses at the simple *cost* of labor and materials used in its manufacture, while the excise upon American steel is levied upon the price at which it is *sold* by the manufacturer. All American cast steel for excise now comes under the highest classification, over 11 cents, while, as is shown by the customs returns for the port of New York, more than one-half the whole quantity imported in 1864 is valued at 4½ cents per lb., and entered at the duty levied upon steel at 7 cents per lb. or less.

Taking the quantity of American steel produced by eastern establishments, as reported by them, at 7,742,000 lbs. for 1864, and adding thereto those of the western works for the same time, and it seems that our product already amounts to one-half the quantity imported, or one-third the entire consumption of the country.

The proportion of cast steel in the calculations from which our present statements are derived comprises about two-thirds the whole quantity, and of this fully one-half is of the finest description, for tools, dies, &c.

Computing the *capacity* of the American works, upon the data already given, for three hundred working days, and it would result in 33,000 tons per annum as their present productive capacity.

Since the foregoing details were obtained, we have procured from the assessors the returns of sales of steel, in bars and sheets, as entered for excise in the 22d and 23d districts of Pennsylvania, from 1st September, 1864, to 1st September, 1865, as follows, viz :

#### TWENTY-SECOND DISTRICT.

	Tons.	Tax.
Steel valued at 7 cents per lb. or less.....	None.	
“ “ above 7 cts. and not above 11 cts.....	309 $\frac{147}{2000}$	\$3, 693 22
“ “ above 11 cents per lb.....	5, 307 $\frac{313}{2000}$	70, 903 80

#### TWENTY-THIRD DISTRICT.

	Tons.	Tax.
Steel valued at 7 cents per lb. or less.....	None.	
“ “ above 7 cts. and not above 11 cts.....	37 $\frac{1842}{2000}$	453 25
“ “ above 11 cents per lb.....	269 $\frac{1002}{2000}$	3, 493 69
	<u>5, 923 <math>\frac{1011}{2000}</math></u>	<u>78, 543 97</u>

The above does not include a large amount of common steel made into springs, plough wings, &c., which pays an *ad valorem* rate of excise.

From these official statements it will be seen that the production of steel in bars, sheets &c., in the 22d and 23d districts of Pennsylvania alone, is nearly 33½ per cent. of the entire importation from abroad, and that taking the reported capacity of our home establishments, we possess facilities for the production of double the entire imports of 1864.

Making every allowance for over-estimates as to our present capacity, we hazard nothing in saying that the American manufacture of steel of all descriptions can, under proper encouragement, be speedily placed in a position to supply the entire wants of our country in quantity and quality, as well or better than they can be supplied by foreign manufacturers.

There were in the year 1864 no less than thirty-seven establishments in the United States either actually engaged, or preparing for the manufacture of steel in all of its varieties. These were divided among seven States, as follows, viz: Pennsylvania 14, New York 9, Massachusetts 5, New Jersey 5, Connecticut 2, Michigan 1, Illinois 1. Many of these concerns have discontinued operations, for the reason that the business has ceased to be profitable at the present cost of labor and material, and the decreased premium on gold giving the foreign article the advantage.

There has always been what we conceive to be an unintentional discrimination to the injury of the steel manufacture of this country, as compared with that of iron, in the domestic duties levied on each, notwithstanding the superior claims of the former to greater protection on account of its novelty, and the difficulty attending its introduction among the permanent productions of American industry.

To illustrate this point, a single example was selected in the 23d district of Pennsylvania, in the month of November, 1863, by comparing the product and tax paid by a single iron mill with that of a single steel mill, for the same month, with the following result, viz :

The iron mill produced 762 tons of iron and nail, which was sold for \$99,750, paying an excise of \$1,230. The steel mill produced 175 tons of steel of all kinds, which was sold for \$52,500, paying an excise of \$1,688 89, showing that the manufacture of American cast steel *at that date* was taxed 150 per cent. more than the kindred manufacture of iron, with all the advantages of the latter in experienced and skilled labor, educated at home.

But lest it might be supposed that this case was not a fair criterion by which to determine the relative domestic tax paid on iron and steel respectively, the following tables, obtained from the assessors of the 22d and 23d districts, Pennsylvania—commencing with the first operation of the internal revenue laws—are submitted as confirmative or conclusive proof of the facts alleged :

*Comparative statement of iron and steel returned for excise from assessor's books in 22d and 23d districts of Pennsylvania, from 1st September, 1862, to 30th June, 1864—one year and ten months.*

*Iron* in bars, hoops, plates, advanced beyond slabs, cut nails, and spikes: weight, 179,085 tons; value, \$34,164,700; duty, \$262,458 85.

*Steel* in ingots, bars, sheets, or wire: weight, 8,948 tons; value, \$3,952,960; duty, \$77,504 13; showing that steel, for the first year and ten months of the present revenue system, paid 150 per cent. *ad valorem* more excise than iron.

For the next three months, say from the 1st of July, 1864, to 30th of September, 1864, when the new excise bill went into operation, the results were as follows, viz :

*Iron* in bars, hoops, plates, advanced beyond slabs, cut nails, and spikes: weight, 25,968 tons; value, \$4,920,471; duty, \$88,292 59.

*Steel* in ingots, bars, sheets, or wire: weight, 1,600 tons; value, \$703,096; duty, \$19,911 96; showing that steel under the new excise still paid 58 per cent. *ad valorem* more domestic duty than iron.

The subsequent act increasing the excise 20 per cent. operated equally on both these interests, so that there still exists the large discrimination against the steel manufacture as compared with that of iron exhibited by the table for three months last stated.

We now proceed to show the revenue derived by government from every ton of steel manufactured in this country.

The figures are obtained from a carefully prepared statement published by order of the American Iron and Steel Association, to which has been added the *indirect tax upon labor*, founded upon the estimates of D. J. Morrell, esq., of the Cambria Iron Works, as applied to the manufacture of iron rails.

We have adopted the same percentage upon steel, although, from the higher character of the skilled labor employed, it is more than probable the taxes incurred upon the consumption of the latter class of operatives are considerably greater than those upon the former.

The following is intended to show the revenue of government upon *each ton of rolled or hammered cast steel* made in the United States, under the law as it now stands, viz :

The excise per ton on rolled or hammered steel is.....	\$15 00
The excise per ton of blooms used in making steel is.....	3 60
The excise per ton of bar iron used in making steel is.....	3 60
The excise on cost of crucibles consumed is.....	3 00
The excise on 10 tons coal.....	60

The excise on cast-iron moulds, castings for repairs, fire-brick, oil, &c., used in making one ton of steel is.....	\$0 60
The cost of stamps on letters, notes, checks, bills ladings, &c.....	60
The indirect tax on labor on same basis as that estimated by D. J. Mor- rell, esq., at the Cambria Iron Works, on average value of cast steel, 6 per cent., inclusive of income tax.....	23 00
	<hr/>
	50 00
	<hr/>

From which it appears that the direct and indirect tax paid by the American manufacturer, upon every pound of cast steel produced by him, amounts to  $2\frac{1}{2}$  cents.

Now, for the sake of comparison, take the official returns on page 44 of steel imported into New York, Philadelphia, and Baltimore, giving the quantity under each of the several classifications, and it will be seen that the whole quantity of imported steel amounted to 31,296,043 lbs., which, at the present rate of duty, will amount to \$870,030 38, or  $2\frac{7}{10}\%$  cents per lb. duty, being about  $\frac{1}{2}$  cent per lb. more duty than the American manufacturer pays in the shape of excise on his production.

Thus it becomes manifest that in the competition in our own markets between imported and American cast steel, the advantages are all on the side of the foreign article, the difference of  $\frac{1}{2}$  cent in duty being scarcely appreciable, and placing the American manufacturer in a much worse position than he could have occupied under the very lowest free trade tariff ever enacted in this country.

It is no amelioration of this burden to say that the premium on gold, in which the foreign duties are paid, operates as a protection to the American manufacturer.

If this was even true, it is not a legitimate argument, because our legislation on questions involving such grave results, upon the invested capital of our people in manufacturing pursuits, should never be regulated upon any other than a solid specie basis, so that the foundation should be sure, even if the superstructure was occasionally shaken by external causes or fluctuating circumstances.

While we freely admit that under the present tariff our business would perish but for the premium on gold, we still contend that, upon the whole, this very cause has operated most disastrously upon our interests, subjecting us to sudden inflations of prices, followed by corresponding contractions, without any regard to regularity or discrimination. The result since the war ceased is, that while gold commands a premium of less than 50 per cent., the cost of labor and materials is fully 100 per cent., and of fuel more than 200 per cent. above the prices of 1861, or when gold was at par.

These are not wild or random statements. They are sober and stubborn facts, well known and understood, and requiring no proof to sustain their truth.

In close connexion with this branch of the subject, and in order the more fully to elucidate the probable effects of increased duties for the protection of the manufacture of steel in the United States, a brief *resumé* of its past history may not be inappropriate.

Common or blistered steel, and plough and spring steel, have been extensively manufactured in this country for thirty years, the most ordinary descriptions from American iron, and the better sorts from imported or Swedes iron.

During all this period frequent but ineffectual attempts were made to produce cast steel, until the opinion became very general that we had no iron in this country suitable from being converted into good cast steel.

It was reserved for Pittsburg to bring about the first substantial and enduring success, in the year 1860, and, encouraged by our example, numerous establishments have sprung into existence, as already indicated in this paper.

For many years previous to the introduction of American cast steel, the duty

on the foreign article was below the revenue standard, being only 12 per cent. *ad valorem*, and the price of the best English cast steel continued to range at from 17 cents to 19 cents per pound.

As soon, however, as it was found that the manufacture in this country was likely to be a success, and it was discovered that it was making its way into favor at a little below the English rates, which was necessary in order to induce consumers to forego their prejudice in favor of the foreign brands, the prices of English steel were reduced from time to time, until the best imported cast steel was currently sold at 13 cents per pound, and in some instances as low as 12½ cents per pound.

The low price of labor, materials, and fuel in this country, enabled us still to compete with our foreign antagonists, and to make some progress, in spite of their systematic attempts to crush out this new development of American industry.

So resolute were these efforts for our destruction, that the increase of duty afforded by the Morrill tariff of 1861, which, though specific, amounted to about 25 per cent. *ad valorem*, or 100 per cent. upon the former rates, *assuming the foreign valuation to be the same as before*, that no increase of price was demanded by the importer, and both American and English cast steel continued to be sold at the lowest rates, until the suspension of specie payments created a rapidly increasing premium on gold, and thus compelled a large advance on both descriptions.

English cast steel advanced according to the gold barometer, and the American manufacture sympathized with the advancing tendency of labor, materials, and fuel.

The highest prices reached were in July, 1864, when best English cast steel was sold at 45 cents per pound, with gold at a premium of 170 to 190 per cent. American cast steel of the same quality was never sold for more than 32 cents, the difference being from 13 to 15 cents per pound in favor of the latter.

Taking the prices at which best English cast steel was sold in this country for twenty-five to thirty years before the successful introduction of the domestic manufacture, and we find the average price to be about 18 cents per pound.

Add to this price the *premium on gold* or foreign exchange, which we have seen as high as 185 per cent., and then estimate the effect upon prices of the extraordinary demand created by the war for the manufacture of arms, intrenching tools, &c., *for both belligerents*, as well as for the large increase in the general consumption of the country, and it is not a violent presumption that the price of English cast steel would have been greatly in excess of the maximum rate of 45 cents per pound if we had been left to the tender mercies of *our friends across the water* for a supply of this indispensable material in providing for the national defence.

If we estimate our consumption for the last four years upon the ascertained basis afforded by 1864 as amounting to 187½ millions of pounds, and it is conceded that the prices of imported cast steel, in the absence of all American competition, would have been 15 cents per pound higher than the average prices paid for American cast steel during that period, of which there cannot be a reasonable doubt, it is clear, that the government and people of the United States have already been gainers to the extent of not less than twenty-eight millions of dollars by the fortunate introduction of this important manufacture in this country in time to defeat the British monopoly.

The largest consumers of steel in the United States fully appreciate this view of the subject, and some of the most sagacious manufacturers of steel goods have been, from the first, inclined to encourage the American article, in order to build up a competition that should prevent a foreign monopoly.

As gold declined the prices of steel receded until the present time; that for English being now about 14 to 15 cents per pound gold, or 20 cents per pound currency, while American cast steel is sold at a fraction less.

nominal rates always fluctuate downward more or less in the conflict for and the American steel manufacturer now finds himself in a position that a decline in the gold premium to 30 per cent. would at once arrest the production of all the ordinary and medium qualities of cast steel, and a further reduction to 25 per cent. would effectually destroy all competition, by putting a stop to the whole manufacture in this country.

Under these circumstances, we ask for such a reconstruction of the rate of duty and of the several classifications, as will protect us from the ruinous competition of the foreign article, for we have already shown that, practically, the duty on foreign steel in the aggregate does not exceed one-fourth of a cent per pound over the direct and indirect excise upon American steel.

We therefore propose that the duties on imported steel may be adjusted upon a principle, which, while they will afford us substantial protection, will not be unreasonable; nor lessen materially, if at all, the revenues of the government from this source.

We believe that if the following adjustment and rate of duty were fixed upon and continued to maintain the struggle for ascendancy with moderate prospect of success against foreign competition, under all reasonable contingencies; we shall preserve the manufacture of American cast steel in all its branches, shall have acquired a substantial foothold, by reason of our having had the opportunity to educate our own skilled labor, and to improve upon our present facilities to an extent as to defy all attempts from abroad for the destruction of this most interesting development of our national industry:

On all puddled or blistered steel, or all steel other than cast and shear bars, sheets, plates, or coils, a duty of \*3 cents per pound.

On all cast and shear steel, in bars, ingots, sheets, plates, or coils, valued at less than 6 cents per pound or less, 6 cents per pound.

On all cast and shear steel, in bars, ingots, sheets, plates, or coils, valued at 6 cents or more, a duty of 6 cents per pound, and 10 per cent. *ad valorem*.

On all steel wire, not exceeding  $\frac{1}{4}$  inch diameter, a duty of 6 cents per pound and 25 per cent. *ad valorem*.

On steel in any form, not otherwise provided for, 50 per cent. *ad valorem*. The proposed rates will not exceed the present tariff more than the *direct and indirect* excise upon domestic steel, which, as already stated, is about  $2\frac{1}{2}$  cents per pound.

The first class being but one remove from iron, and converted by a very simple and inexpensive process, does not require the same protection as cast steel, which is a very laborious and costly manufacture, especially in the department of crucibles, involving also the most skilful treatment in all its manipulations, to secure the best and most uniform results.

The second class includes all the lower descriptions of cast steel, such as made and rolled steel, for cutlery, forks, files, &c. Much of this quality of steel is found to be imported in the *lowest* classification under the present tariff, as is apparent from the fact set forth in the official statements already given, which it appears that considerably more than one-half the entire foreign importations for 1864 were crowded into this class.

The same remarks apply with equal force to the proper relation between the second and third class in the existing tariff, for it is manifest that all best tool steel of ordinary sizes is now brought into the grade or classification of steel valued at less than 11 cents per pound, and not over 11 cents per pound, when it was doubtless intended to be included in the highest or third class for duty.

The proposed arrangement of duties, the higher qualities, or what is known as cast steel, will be brought into the third or highest class, where it properly belongs. The addition of 10 per cent. *ad valorem* on this class, preserving the

events and later information has compelled the manufacturers to change this figure to 4 cents.



language and principle of the present tariff, was wisely introduced, to secure a fair increase of duty upon costly descriptions, such as large circular saw plates, &c., on which the specific duty would be trifling compared with its actual value, but which will thus be taxed for the additional cost conferred, by extra quality and unusual form or shape.

The above rates we propose shall be modified to conform to any change in the present excise or domestic duty, either by an increase or a reduction thereof, as the judgment of the commission may deem expedient, in the adjustment of the internal revenue laws.

We are entirely satisfied that, under the classifications of the tariff as now arranged, advantage has been taken by the *universal practice* of charging foreign steel at the mere *cost of its manufacture* abroad, to enter it for duty at rates not contemplated by the framers of the law.

It certainly never entered into their calculations that any cast steel would be entered at our custom-houses at lower rates than common bloom iron could be sold for in this country; and yet such is undoubtedly the fact, for it will be seen by the table on page (2,) to which we have several times referred, that a majority of the entire importation into the city of New York for 1864 was entered at a cost of 4½ cts. per lb., or \$90 per ton of 2,000 lbs.

Without exhausting the subject, we forbear to trespass longer upon your indulgence by a further array of argument and illustration in support of the necessity of additional protection to the manufacturer of American cast steel.

From what has been stated, it is obvious that while labor, and all the materials (which are but labor after all) entering into the production of steel, are so much higher in this country, it is not possible for us to contend successfully with the cheaper labor and materials employed by our competitors at the present rate of duty.

The protection we require is, practically, not so much for the benefit of the manufacturer as for the laborer; and the question to be determined is, whether it is desirable to degrade American labor to the miserable standard of England, France, and Germany, or whether it is better to elevate it by liberal legislation in favor of home industry, so that the working-men of the United States may enjoy all the advantages of education and good living, which are denied the unhappy operatives of the workshops of Europe.

All of which is respectfully submitted.

HUSSEY, WELLS & CO.,  
PARK, BROTHER & CO.,  
SINGER, NIMICK & CO.,  
COOK, ANDERSON & CO.,  
HAILMAN, RAHM & CO.,

*Pittsburg, Pa.*

REITER & CO., *Allegheny, Pa.*  
PRENTICE, ATHA & CO.,

*Newark, N. J.*

WHIPPLE FILE MANUF'G CO.,  
*Ballardvale, Mass.*

SWEET, BURNEY & CO.,  
*Syracuse, N. Y.*

WALTER, GREGORY & CO.,  
*Adirondack Works, N. J.*

WHEELER, CLEMSEN & CO.,  
*New York.*

JAS. R. THOMPSON,  
*Jersey City, N. J.*

JAS. HORNER & CO.,  
*Pompton, N. J.*

## SPECIAL REPORT No. 13.

*Report of the United States Revenue Commission on wool and manufactures of wool.*

## PRELIMINARY.

OFFICE OF THE U. S. REVENUE COMMISSION, May, 1866.

No considerations pertaining to the revenue of the country are more important than those which relate to the employment and activity of its productive labor. The inquiry whether this labor is well or ill supported can never be amiss, when public wealth or revenue is in question; nor is it any less pertinent to examine whether any and what obstructions or disturbances lie in the path of labor and national production. The industry of a nation is an interest so vital as to be equalled only by its internal liberties and its independence of foreign control. These being secure, the highest national results can only be reached through that wide-spread and fully diversified industry which is applied under the advantages of increasing intelligence and the aptitude of growing skill and experience. As the tendency of full employment is to exclude crime, the benefits of that high integrity, the best cement of society, which accrue from the prevalence of religion and morality, may be expected to reward a nation in which occupation is most varied and labor best remunerated.

As it can scarcely be doubted, much less disputed, that the largest production of a well directed industry is that which will best enable our country to endure the heavy taxation to which it is now necessarily subjected, it becomes needful to notice the differing opinions which prevail upon the national policy best adapted to stimulate and uphold the industry upon which all production depends. These opinions, as one or the other class of them prevail, pass into legislation, and, according as they are well or ill founded, affect the ability of the people to provide the revenue indispensable to national credit and progress.

Such differences are of ancient date; centuries ago a large class of statesmen and writers upon national policy held that in a national point of view the special aim of public economy should be to secure a permanently favorable balance of trade with foreign countries. This opinion, which held large sway for nearly a century under the appellation of the mercantile theory, was fiercely attacked, with free use of argument and sarcasm, by a school of economists propounding a theory which they industriously and vigorously support to the present time. The industrial policy involved in their theory is that all that concerns the encouragement and support of national industry and the proper reward of labor should be left to the natural movement of foreign trade and its influences upon public welfare. This should properly be called the commercial theory. It is called free trade.

It will be seen that one characteristic is common to both these theories. They both regard the whole subject of labor, laborers, and national production from the side of trade. They both place that industry which produces the commodities necessary to civilization and comfort under the guardianship of foreign trade. The men who make the commodities which trade supplies for consumption are placed in the order of importance, after the merchants who are the chief agents of distribution.

The truth is, national production, national wealth and power, are not questions of trade, foreign or domestic; trade is one of the special incidents of national economical progress. No conclusions drawn from reasoning which begins by considering what concerns the distribution of commodities in advance of what concerns the interest of those who produce these commodities can be sound. Doctrines founded on this error may have a long life under the sustain-

ing patronage and wealth of the merchants of the world; but this commercial theory is inevitably destined to share the fate of the mercantile theory. Both fail to take human welfare and the interests of human labor as their main elements. This fatal mistake has buried one, and will, ere long, bury the other, in the rubbish of sad experience and mistaken doctrines.

It should not be difficult to comprehend why the interests of the laboring masses of a country should be the highest objects of national policy. In these masses lie the wealth and power of the country. The products of their industry furnish the food and raiment and dwellings of the whole population—whatever is used at home and whatever is exported to pay for every commodity imported. These masses constitute two-thirds of the whole population, and upon every principle of sound national policy deserve the utmost care which national intelligence and power can give them. They hold claims upon national justice and power which should never be forgotten nor repudiated. Their interests cannot be left to the alternation of a business so fluctuating as foreign trade, nor should merchants shape or control public policy in what concerns creative industry and the well being of the working classes. A paternal care for all departments of labor belongs to the government, and its exercise demands vigilance as well as impartiality. Foreign trade would be impossible without a whole code of laws relating to ships and shipping, seamen and freights, and without the maintenance of navies to protect vessels in all parts of the world, and to drive piracy from the high seas and every lurking place in bay or river.

What public policy owes to foreign trade and to the class of men who have become the distributors of the products of industry, and what is thus accorded at such a large public expenditure, is not less due so far as it may be required by the classes who apply their capital and labor to the production of the commodities which enter the channels of trade. The truth is, that however important in point of national policy that the laws of trade and shipping should be well devised and fully enforced, still higher considerations than mere public policy claim the attention of government where the laboring classes are deeply concerned. Not only because the revenue and strength of the country depend upon productive labor, but because the highest condition of national welfare depends upon the highest condition of the masses of the people in point of morals, religion, intelligence, social ease, and comfort. Every department of industry, and those by whose science, skill, capital, and labor it is conducted, have special claims upon government for whatever legislation is needful for its security and encouragement in harmony with other branches of industry. No other duty of government can be of higher concern than this.

Those who would confine public policy to national defence and the administration of justice would, in the name of justice deny what is in the strictest sense due as justice to all classes of the industrial community. Whatever theories of government may be entertained elsewhere, ours was not instituted for the mere purpose of adjusting differences, maintaining a police, and punishing crimes. The people with whom our Constitution originated had higher aims, and intended the "general welfare" to be regarded as a principal object.

Every nation has a platform for its own industry, because it must depend upon that industry for nine-tenths, if not ninety-nine hundredths, of its consumption; for every country has characteristics peculiar enough to demand specific treatment. It is no more possible to mingle these peculiarities, and no more proper, than it would be to abandon specific national legislation and attempt to cover the whole ground of national welfare by the law of nations. The special character of our industry, which it concerns us now to notice, is the higher rate of compensation awarded to labor. This has arisen from the popular nature of our political institutions, and the cheapness and abundance of land. Men who labor will not, and need not, accept the wages which rule

in Asia and Europe, so long as they can become proprietors themselves. As all the prices of the country have become adjusted to the high rate of compensation which prevails here between employers and employed, a higher range of general prices must prevail than in any great civilized country. Our markets become, consequently, a great temptation to the traders of all the world, and a special mark for their industry and enterprise.

While our markets seem high to others, theirs appear cheap to us, and seem to those who fail to give the subject due consideration to offer the inducement of supplying abundantly whatever is cheaper in foreign countries than in our own. But abundant national or individual supplies are not to be realized by the fact of cheapness. The ability to purchase depends not on the cheapness of the commodity, but on the means of payment. It is well known that the countries where commodities are cheapest are not those where the inhabitants are most amply supplied; and it is equally notorious that the people of this country, where commodities are at higher prices than prevail elsewhere, are more fully supplied and in more full enjoyment of the comforts and luxuries of civilized life than any population in the world.

Our ability to purchase foreign commodities depends wholly not on the price, but upon what will be received in payment. It is near enough for our present purpose to say that the amount or value of our annual exports exhibits the extent of our annual ability to pay for imports; merchants promptly to export to foreign countries every article for which they can hope to find a proper market. Our exports of the products of our own country, including the precious metals, may range between three and four hundred millions of dollars in value. This will constitute the limit of our ability to pay for goods imported, if payment in our national bonds be not taken into the account.

The consumption of our whole population is now not under three thousand millions of dollars in value. One-half of the commodities which are thus used or consumed are from fifty to one hundred per cent. higher here than they are in Europe or Asia. But this cheapness does not induce us, and cannot enable us, to import even a thousand millions in value of these cheaper commodities. Such an importation is a commercial impossibility; and necessity compels us to submit to that range of higher prices which the rate of wages and other special circumstances at home force upon us.

The result is, that we cannot purchase abroad any more than we can pay for. We must be the producers at home of at least nine-tenths of the commodities we consume or use, but it should be noted that the payment at home, in the productions of domestic industry, of two thousand five hundred millions, is far less difficult than the payment of five hundred millions in foreign countries for what is imported. It cannot be denied that much the largest proportion of the commodities we import are produced of better quality, and in any needed quantity, at home; the main recommendation of the foreign articles being their cheapness. One-tenth of what is required may be imported at say half the domestic price. A struggle has ensued in this country to determine what class shall have the benefit of these cheaper foreign commodities. This struggle has, by its operation on the domestic industry and trade of the country, produced a succession of fluctuations in prices during the last half century damaging the productive power of the country to an extent far exceeding the value of all the goods imported in that time.

On grounds of national policy and individual justice, it should not be difficult to decide what course is to be pursued in such cases. No class of individuals can have any special title to the exclusive enjoyment of these cheap goods; the advantage is necessarily confined to a few: chief among these is the foreign manufacturer, who obtains a decided advantage by admission to our markets. The government, therefore, intervenes, by means of import duties, and other needful regulations, to place the foreign manufacturer in strict competition, allow-

ing him no advantage, not even that of selling below the cost of production, for the purpose of destroying the competition which keeps him out of so desirable a market. The full difference between the cost of producing the commodities we consume abroad and at home should go into the public treasury, becoming thus a public benefit, and affording some compensation for the disturbance of domestic production.

By this means, too, the fluctuations and revulsions of foreign trade and over-production should be controlled, if not wholly shut out, from deranging the more equable flow of domestic production and trade. The combination of capital, labor, skill, and science, which go to make up the productive power of the country, is not only a very costly but an exceedingly complicated organization, very liable to serious derangement from mismanagement or careless handling. The capital embarked in it expects compensation, the labor must have it, the interests of consumers demand adequate attention. The relations of the whole to public welfare and public authority present a problem which the most experienced statesmen may fear to touch without special care and preparation. Thus it presents itself in its domestic aspects; but when the domestic organization of labor is brought into due contact with a foreign one radically different, no skill nor power can make them harmonize. Such differences may be compensated; they cannot work in harmony, nor without injurious friction.

In the light of such considerations, since our national expenditure has become five-fold greater than in 1860, it becomes needful to observe the double effect of foreign competition and of heavy taxation upon our most important branches of industry. It is well known that heretofore the struggle between foreign and domestic labor has been severe enough to demand the constant aid of favoring legislation; and this is now more necessary than ever, not merely as a revenue measure, but to insure that activity and progress in our domestic industry which alone can enable the people to pay annually internal taxes to an amount exceeding two hundred millions of dollars.

Common precaution dictates that in a matter so vital to national credit and prosperity nothing should be left to mere experiment or to chance results. Whatever can be, should be made safe. The main departments of domestic industry and consumption should be scrutinized with this view.

The production of food incurs little direct risk from foreign competition, though it may be injuriously affected by heavy taxation or unskilful adjustment of its burdens. The main dependence of agriculture for a market is upon those employed in manufactures, and of course upon that success which makes them large consumers, and saves them from being driven to the necessity of producing their own food.

All the chief branches of domestic production are so interlinked that any imposition of duties which injures or destroys one weakens or finally destroys others. The whole class of farmers on the one hand, and the whole class of those engaged in other pursuits on the other, are mutually customers of each other; and each of these principal classes are susceptible of many subdivisions, which are in like manner mutual customers. Their mutual interchange of commodities and services exceed in money value much more than five times the entire foreign trade of the country. They reach this vast amount because it is a virtual exchange of labor—an exchange in which the parties can purchase what they want with what they have. They literally work for each other, and exchange the products. They are only restricted in this process by the capacity of production and the needs of consumption.

When an hundred millions of dollars are invested in these transactions, adding so much to the quantity and value of the commodities forwarded to the channels of domestic trade, and so much to the rewards of labor, this advantage will continue to operate, passing indefinitely round the circles of industry and trade, until all in their turn, remotely or directly, share in the benefit. It is by

such additions that production is not merely kept up, but grows, each increase begetting or promoting another, while individual and national wealth grows by feeding on its own gains.

Just the reverse of this process takes place when a hundred millions in value of the means employed in this industry or of the avails of this production are taken away from this use. The contraction to fill the void made by such a removal is felt in its continually narrowing process until lost in its complication with other obstructions and troubles. But the effects of the abstraction of the avails of industry will continue to operate long after it is possible to trace distinctly its path. If we suppose that those engaged in productive industry were merely to increase their expense of living one-tenth, the abstraction would absorb so vast an amount of the capital employed as to give a severe check to the whole movements of industry and largely reduce its products, while many individuals would be wholly ruined.

The experiment is now being tried of taking over two hundred millions, in the shape of internal revenue, from the people of the United States; the diminishing and contracting process is already operating, in conjunction with other causes, with great severity upon labor in all its interests and ramifications. Its effects will be signally injurious in a short time, if not counteracted or compensated. It can, however, only be counteracted by a better adjustment of taxes—only compensated by a corresponding check upon foreign competition.

The consuming or rather destroying process of taxation, and foreign competition without corresponding care and favoring legislation on the part of government, is well illustrated in the case of Ireland, a country which has declined from one of wealth and varied industry, with a large production, to one affording the fewest indications of wealth, ease, and industrial progress of any in Europe.

The consumption of iron by a people is a fair indication of the extent to which the whole list of other metals are employed. It is worthy of attention that among the European people who consume the least quantity of iron in proportion to population are those of Ireland. Apparently Ireland is fortunate, in easy access to an unlimited supply of the cheapest iron to be found—iron and steel in England being at a much lower rate than in any other country in the world. It is obvious, however, that Ireland must be limited in her use of these metals to the value of the commodities England is willing to take in payment, and it is well known that, as Irish industry is little varied, it can furnish but a comparatively small amount for export to England, whence the supply of manufactures, iron and steel among the rest, for Irish consumption must come. The result is, that Ireland cannot purchase English iron, cheap as it is, because she cannot pay for it. It is easier for the people of the United States to make and consume one hundred and twenty pounds of iron per head, at the rate of eighty dollars per ton, than it is for the Irish people to purchase and consume thirty pounds per head at the rate of forty dollars per ton.

Under this English policy the progress of Ireland is downward. Ireland has a fine climate and soil, but the people are hurrying away from it; abundance of bituminous coal, but the people mine only the bogs; water-power, but it is unemployed; abundance of the best iron ore, with coal to smelt it, but makes now no iron, though she once made and sold iron in England; glass was formerly made there, but not now; the linen manufacture once flourished throughout Ireland, but it has nearly departed now, and survives only in the vicinity of Belfast. The Irish manufacturers have emigrated to England. Ireland has little to export to England except agricultural products, and these are never wanted to the extent that they can be furnished. Not only manufactures have gone down, but land and labor have also fallen in price. Labor emigrates; the land cannot. Land in England is worth three to four times as much as it is in Ireland. Great Britain, with four times the population of Ireland, exports to other countries one hundred times the value exported by Ireland. The people of England pay

annually, per head, taxes to the amount of sixty shillings; those of Ireland eighteen shillings. British policy discourages a varied industry in Ireland, and makes heavy taxation there impossible.

#### WOOL AND MANUFACTURES OF WOOL.

In considering what should be our public policy in reference to domestic production, with a view also to national revenue, our attention has been specially directed to sheep husbandry, and manufactures of wool, as not only of great national importance, but as suitable to illustrate the whole subject of the relation of industry to revenue. The employments which pertain to the more indispensable articles of clothing are so essential to national independence and individual comfort and well-being, that they should not fail to enlist the attention and action of government in the beginning of our experience under heavy taxation.

The history of wool growing and wool manufacturing in many countries of Europe, and especially in Great Britain, is one of great and varied interest. In the long struggle maintained by tariffs and acts of navigation, whatever was cunning in diplomacy or bold or novel in commercial policy was, for two or three centuries, brought into play to secure permanent advantages in this important industry. The prolonged effort of these nations for pre-eminence in the manufacture of woollens had the result which can only be attained by national exertion, that of crowning them all with success. England, France, Germany, and the Low Countries all, soon or late, took high rank as manufacturers of woollen goods, which they have increased and maintained to the present time. If this success had been confined to one of these countries, can it be supposed that the others would have been as well clad as they are to-day? Certainly not; they are now well clad in woollens, enjoying the advantage of not being dependent for this article upon what other countries may please to take from them in payment. Their woollen goods are obtained not by sending abroad such articles as other countries may or may not want, but by the exchange of services, labor, and productions at home among those who labor for a living and must labor to live, and who, knowing each other's wants, can promptly adapt the supply to the demand.

The vast armies recently on foot have revealed some truths which cannot be overlooked for the future in adjusting our economical policy. Beef is the food for armies in active campaign, and the stock of the country has been seriously reduced. Not only the beef but the hides were required for military uses. The country was thrown by the high price of beef upon the consumption of mutton; but the wool was not less important than the mutton. It was soon ascertained that the supply of beef was not more than sufficient, and that the supply of wool and mutton was far from being adequate to the national urgency. If doubled it would not have sufficed to clothe our armies, and furnish meat enough to keep down the price of beef, and prevent too great a reduction of the national herds of cattle.

It is quite apparent that this country has never had a full supply of such woollens as are needful for health and comfort. According to the range of consumption of our population, and the amount of comforts enjoyed, the consumption of woollen goods, per head, should not be less than double the present rate. To complete and adjust the entire circle of national production, sheep husbandry should be stimulated and promoted until our flocks shall be doubled, and our supplies of wool shall exceed 200,000,000 pounds, and our consumption of woollen goods, domestic and imported, shall be equal to ten dollars per head.

The attention of the writer, as one of the revenue commission, has been turned to this important branch of national industry since the commencement of his *duties*. Believing that the amount of internal revenue demanded by the state of our finances could not be realized without vigorous and proper action of the

laboring classes, and that such continuous movement could not be maintained unless all the sources of domestic employment were opened and duly supported, the classes directly interested were invited to a full interchange of views. It is known that during the rise of the manufacture of wool in Great Britain a want of harmony existed between the wool-growers and woollen manufacturers which not a little retarded the progress of their industry, lessened their influence with the government, and damaged their interests in other respects. A similar want of harmony and good intelligence was exercising a like injurious influence here.

As nothing can be more certain than that the industrial interests of these two classes in the United States are substantially identical, it was a principal object to have the fullest possible interchange of opinion between them. Upon the first intimation of the wishes of the commission, the necessary conferences commenced, and continued for more than six months, without much pause, by conventions and separate and joint committees, in which the various interests of each class, and the united interests of both, were subjected to a scrutiny so patient, so intelligent, and so discriminating, that the utmost deference and weight due, and should be awarded, to conclusions so carefully prepared.

Joint meetings were held in Syracuse, in the city of New York, in Philadelphia, and in Washington.

As the carefully prepared opinions and statements of these committees will form a portion of this report, it is not proper here to anticipate what is so well attested by them. It was assumed, as a point of departure, that growing wool and increasing flocks of sheep were of national importance with reference to clothing, food, and the general interests of agriculture. The experience of any countries had verified this. But at the price of labor now ruling and certain to prevail here in time to come, wool cannot be exported hence to Europe or elsewhere with profit. That on this account, as well as upon the consideration that the use of mutton as food did not present a sufficient inducement to sheep husbandry, it was evident that wool grown here must be manufactured here as a necessary encouragement to the increase of sheep. It was considered that, as a branch of national agriculture, few could be of more importance on account of the vast extent of public lands for which it would increase the demand, and because sheep husbandry tends constantly to the improvement of the soils where it is extensively pursued. It being admitted, on these public grounds, that wool should be one of the great staples of the country, it followed that the manufacture of wool should be one of the principal branches of domestic industry. These two employments would soon furnish for domestic consumption woollen fabrics to the value of not less than three hundred millions of dollars, an amount nearly equal to our foreign trade, involving necessarily a vast capital, and full occupation with a livelihood for a large population.

The revenue to be derived from such a mass of wealth and production cannot be overlooked in any estimate of the capacity of the country to carry its financial burdens.

In the conferences between the wool-growers and the manufacturers it was conceded by the former that their business could not flourish unless the latter were fully established and sustained; that capitalists would not invest adequate sums in buildings and machinery without good prospect of profit and permanency in the business; that without permanency the needful skill and experience in the operatives could not be maintained; that taking into view the price of labor in Europe and the price of labor and of wool here, the manufacture of woollens could not be established here in competition, unless some favor on public ground could be accorded to the manufacturer; and both parties insisted that the importance of the industry in every point of view besides its magnitude made the claim for favorable legislation valid. It was shown by ample proof that wool could not be grown here unless the manufacturers of wool could be permanently established, and that the consumption of woollens could never reach the adequate figure of



ten dollars per head of the increasing population, unless wool-growing and the manufacture of wool both take their place among the established and successful industries of the country.

The manufacturers claimed that until similar wools shall be supplied at home a considerable proportion of the fine but inferior and very cheap wools of South America, Africa, and other countries, would be required to give variety, special qualities, and cheapness to certain descriptions of their woollen goods, but did not resist the claim of the wool-growers to have such a duty imposed on these wools as would encourage their growth, and in time supply their place, at least in part, by home-grown wool.

The manufacturers on their part claimed, as these cheap wools entered English ports free of duty, and as the cost of labor entering into the production of woollen goods in Europe was less than half the rates paid in this country, that such duties should be asked of our government as would place them in fair competition with foreign manufacturers in our own market.

The details of the statements to be made through the revenue commission to Congress were, as will be seen, carefully considered and mutually approved in the hope of their being incorporated into the revenue laws.

Although harmony of views between parties whose interest so far as concerned the intervention of government appeared to be improbable, yet with patient and protracted efforts of those most interested, with much study and candid examination of facts, it was accomplished; and now it may be hoped that other interests, supposed to be conflicting, can with even less trouble be brought to full accord. Other differences, apparently as formidable and mischievous, will disappear before earnestness, intelligence, and patience. The duty of seeking such results rests with those whose minute knowledge of facts and details enables them, by comparison of views, to ascertain a basis on which their interests can be secured, while general advantage is promoted. Instead of wasting labor in opposing their respective views, let a well-directed effort be made in the various departments of industry to ascertain a common basis on which such an industrial policy could be gradually shaped, as time and experience would show to be at once wise as public policy and favorable to industrial enterprise. There is every reason why this attempt should be made among those specially concerned in the various departments of labor, by confronting those whose interests are regarded as adverse. It is enough for the public authorities, upon full consideration of what private parties have in this manner stated, conceded, proved, and suggested, to determine what should receive the sanction of legislation, and become a national policy to be relied upon as established and permanent.

It is just as important, if private capital is to be invited or encouraged to invest in productive industry, to make the terms favorable as it is if the invitation be to invest in national bonds. And if the ability of the country to pay heavy taxes is to be maintained and increased as a provision for future exigencies, every stimulant and security should be offered to capital and labor which the country can command. Whatever may be the adjustment of the burden of taxation, it will be found that the larger the amount in value of national production, the more diffused will be the burden, and the lighter will it bear upon those who carry it.

If the States be taken separately or in groups, their ability to bear taxation will be found to be in proportion to the magnitude and variety of their production. The value of the annual production per capita, according to the census of 1860, is stated as follows:

New England States.....	\$149 46
Middle States.....	96 31
Western States.....	37 53
Southern States.....	17 05

striking result is the product of diversified industry, aided by a large machinery.

statement becomes more definite and instructive when the States are compared separately. It is impossible not to see in the following table that the endurance of taxation is in proportion to the power of production, and that the magnitude of production depends upon the extent to which it is diversified:

States.	Population.	Manufactures and productions.	Per capita.	Internal taxes paid in 1864.	Taxation per capita.
land.....	174,620	\$2,797,893	\$16 00	\$3,946,846	\$22 58
assets.....	1,231,066	15,541,792	12 61	23,250,866	18 83
out.....	460,147	4,359,979	9 45	6,009,998	13 04
k.....	3,880,735	23,770,513	6 12	48,940,566	12 60
upshire.....	326,072	2,007,061	6 15	3,424,917	10 47
sey.....	672,035	4,423,210	6 58	7,157,012	10 64
ania.....	2,906,215	16,868,411	5 79	27,811,537	9 55
l.....	687,049	2,587,101	3 76	4,966,085	7 22
.....	2,330,511	8,896,407	3 82	15,296,123	6 56
.....	1,711,951	5,007,821	2 88	9,174,370	5 35
.....	1,182,012	2,720,592	2 29	5,243,540	4 43
.....	1,155,684	2,412,431	2 08	4,591,346	3 97
.....	749,113	1,391,782	1 86	2,544,025	3 39
.....	1,350,428	2,627,356	1 92	4,571,521	3 38
.....	628,276	1,791,018	2 80	2,408,367	3 83
.....	315,116	437,623	1 40	773,658	2 47
n.....	775,881	868,263	1 11	1,175,200	1 50
e.....	1,109,801	1,055,829	95	1,516,967	1 36

thus seen that each individual of the four manufacturing States of New England pays \$18 83, \$22 58, \$13 04, and \$10 47, or an average of \$16 23, each person of the two agricultural States, Vermont and Maine, pays and \$3 83. The same result is apparent throughout all except the producing the precious metals, evincing that a varied industry is the true cause of a large average revenue.

not difficult to see that a diversified industry can only flourish when there is a large domestic consumption, and this can only be permanent when consumers are near enough and have needful facilities for exchanging with each other the whole products of their respective labor. The power of consumption does not depend, as is often erroneously asserted, on the power of production solely, but upon the willingness of the producing parties to exchange for other what they can respectively produce. The labor and machinery, and skill of the people in this country can produce commodities to the value of three thousand millions of dollars, but, of these commodities, less than one-fourth of four hundred millions of dollars find a market abroad. There is a similar restriction running throughout our whole domestic trade. People are not free from others only what they can use or sell again. Yet, under this limitation, the domestic exchanges exceed the foreign in the proportion of ten to one. The industry that is directed to the purpose of producing commodities designed for foreign markets must be confined to what is marketable abroad, and that is a very narrow range compared with the whole circle of domestic production. If the United States were wholly dependent upon Great Britain for iron and steel, copper, lead, and other metals, the consumption would be less than half what it now is—we could not pay for more. As re-

marked elsewhere, the people of Pennsylvania can pay her own manufacturers for 500,000 tons of iron, but they have no product which they could exchange yearly in England for 50,000 tons.

In every case, when it is desirable on public grounds that the consumption should be large, it can only be attained by domestic production and the processes of home trade and exchanges. But this rule of domestic economy, always sound, becomes vastly more important when the demands of heavy taxation are taken into account. A production large enough to make a large consumption possible is only attainable when home industry is under the full stimulus of an ample home market for all that labor can accomplish. A full illustration of this can be found in every aspect of our foreign as well as our domestic trade. The people of New England direct their industry to the production of all that is needed in the United States; and while they are thus enabled, with the products of their labor, to purchase whatever the country can yield, they furnish a market of equal value for the products of the other States. The interchange of labor between the New England States and those further south and west far exceeds that of the whole country with Europe.

It is obvious that there is only one line of policy, in fact, which can fulfil at once the demands of revenue, the interests of individuals, and the requirements of true national policy. It is that which will diversify industry, thus inviting a large consumption, opening a steady market, rewarding private enterprise, increasing public wealth, and establishing a solid basis for permanent revenue.

There are certain classes of commodities the domestic manufacture of which are so essential to national self-respect, as well as to civilized comfort, to progress in all the arts of industry, that they recur at once to the mind as national productions. The efficiency of this production should be of the highest order possible, reaching not only to the utmost perfection in quality, but to the utmost limit in quantity and cheapness. These articles are such as manufactures of all the useful metals, but especially of iron, steel, copper, and lead, and of wool, cotton, flax, leather, paper, glass, soda ash, chemicals, medicines, household furniture, and earthenware.

We have the necessary skill, much the largest portion of the raw material, and other needful facilities for the production of a full supply of the commodities thus indicated. The nominal price to consumers would be higher, but the range of rates would be in proportion to the price of labor throughout, and the benefit of higher compensation would inure to every class and profession. The great struggle which has been going on in this country between foreign and domestic labor, owing to our want of a fixed industrial policy, has continually repressed manufacturing enterprise and checked the progress of consumption to such an extent that it is now far below what it would have been if domestic production had been adequately sustained. The hesitation to sustain manufacturing labor is a hesitation to favor general industry, to favor the employment of laboring men and women, to favor national independence, and to build upon the only sure source of adequate and permanent internal revenue. If manufacturing industry, properly supported, should raise up a wealthy class, the internal taxation will afford a ready means of obtaining a full contribution from this wealth to the public treasury. Without a vigorous manufacturing industry, with increasing capital from its savings, the productive power of the country must fall behind, and the sources of revenue be proportionably seriously diminished, if not dried up.

STEPHEN COLWELL,  
*Of the Revenue Commission.*

Hon. HUGH McCULLOCH,  
*Secretary of the Treasury.*

*on the production of American wool, by the president of the Ohio Wool-growers' Association.*

The present annual production of wool in the United States is, in round numbers, 100,000,000 pounds. In addition to this, we imported, during the years ending with 1865, 289,182,929 pounds of wool and shoddy, being an annual average of 72,295,722 pounds of both. During the same time we had an amount of manufactured wool estimated to be equivalent to about 10,000 pounds of raw wool, or an annual average of 55,000,000, which amounts to 127,000,000 per annum, without including fractions. The import now prevailing largely exceeds that of any previous time.

A portion of this 127,000,000 loses a large percentage in cleaning, it is estimated that in the production of cloth it is equal to about 75,000,000 of domestic wool. It hence appears that we are importing 75 per cent. as much wool as we produce. It is here proper to note, that from 1840 until the breaking out of the war our increase in the production of wool scarcely kept pace with the increase of our population, and has only exceeded it under the stimulus of high prices consequent upon that event. But even with this stimulant production has not maintained its proportion to importation, as will be seen from the following table :

	1840.	1850.	1860.	Average of 1864 and 1865.
Production of domestic wool.....	17,000,000	23,000,000	31,000,000	36,000,000
of imported wool.....	35,000,000	52,000,000	60,000,000	100,000,000
of imported shoddy.....	15,006,410	18,669,794	34,500,000	67,984,062
of imported woollens.....	\$12,000,000	\$17,151,509	\$37,936,945	\$26,243,449

In these figures it appears that since 1840 our population has about doubled—our production of wool has about trebled, and, including shoddy, quintupled—and our importation of woollens has more than doubled.

It is true that we export a small quantity of these articles; but not enough to make up the truth that, comparing our production with our consumption, we are rapidly falling more and more into the pitiable condition of dependence on foreign supply for our supply of cloth.

The wool grown in the United States includes, in greater or less degree, all the principal known varieties, unless it be some of a peculiar and cheap character, which may properly be designated carpet wool.

The kind principally grown is merino and its grades, which, for the manufacture of flannels, shawls, cassimeres, and cloths of ordinary fineness, and for many other uses, is acknowledged to have no superior. There is, too, an amount considerable in the aggregate, principally produced by smaller flocks, of a coarser wool, which, including the lower grades of merino, is peculiarly fitted for the manufacture of blankets, and which, during our late war, furnished us the material for many of our cloths known in the world.

We also have a small quantity of very superior wool, admirably adapted for the manufacture of broadcloths; and we have the most conclusive testimony in the fact that our broadcloth wools, equal to the best German wools, have been, and therefore may be, grown in our own country.

We possess, also, in limited quantity, fine specimens of combing wools, every way adapted to that large and largely increasing class of fabrics known as worsteds. And it is superfluous to say that we can produce all these wools in any quantity whenever the demand and the price will justify their growth.

From the testimony of many of the most intelligent flock-masters in all the principal wool-growing States, we know that the average cost of growing the wools the past year was about 70 cents per pound. It is a fact susceptible of proof that at no time during the season could these wools have been sold at a price equal to their cost, and that large amounts of them are still remaining in the hands of the producer, waiting for a market, at a price much below remuneration.

When we inquire the reason for this serious state of things, we are met with the answer based on the clearest and most undeniable truth: that South America and other countries of cheap land and cheap labor, are producing wool in large quantities, finer and softer than our own, but weaker and less valuable in service, and are underselling us in our own market.

Thus wool enough to produce a pound of cloth can be bought in Buenos Ayres, free on shipboard, for sixty cents, (gold.) It can be transported to New York or Boston at a price scarcely or not at all exceeding the cost of commissions and transportation from our western States to the same market, and it is there admitted at a rate of duty per pound less than the tax imposed on American farmers for growing a pound of wool.

To confirm this statement that the tax on American wool exceeds the tariff on foreign wool: The duty paid on foreign wool during the six months last reported was 4.85 c. per pound; previous to that time it was less.

As Ohio produces nearly or quite one-fifth of all the wool grown in the United States, we will take her as an example in estimating the tax on domestic wool.

Ohio land is taxed at \$20 per acre. The common estimate allows two-fifths of an acre, including some woodland, to a sheep. Value.....	\$3 00
Tax value of a sheep.....	3 75
On a farm carrying 300 sheep there is taxable value of team and agricultural implements, say, \$450. Value per sheep.....	1 50
Total tax.....	<u>13 25</u>

I have no means of ascertaining the rate of taxation covering State and all local taxes, but assuming it to be 2 per cent., we have  $26\frac{1}{2}$  cents, and, calling the weight of fleece  $3\frac{1}{2}$  pounds, the tax per pound is 7.57 c. It is reasonable to suppose that one-half the wool grown pays the 5 per cent. income tax. This would equal  $2\frac{1}{2}$  per cent. on the whole amount, and, at 60 cents per pound, the tax would be a cent and a half per pound..... 1.5

Which, added to the 7.57, makes the direct tax on wool, per pound.. 9.07 c.

And if it is not sold, (as is the case with much this year,) it is taxed as wool on hand.

In addition to this, there is an indirect tax which bears at so many points and in so many ways that it is very difficult to estimate, but is none the less certain to be exacted.

There is the tax on the iron and steel of which the wagon, the "machines," and other implements are made; the tax on the leather in the harness; and the tax on the skill of their construction.

In the matter of clothing, there is first the tax on the raw material; then there is the six per cent. manufacturers' tax and the five per cent. income tax paid directly to the government, and charged over in the price of the goods to the

obber, who will increase the price enough to pay his license and revenue tax, and pass the goods over to the retail merchant, who repeats the process and hands the burden finally over to the consumer.

If the wool-grower raises his own grain and meat, and does not raise too much, he may escape taxation in this direction; but when he reaches that large class of supplies under the general designation of store goods, he finds the handwriting of the government in triplicate on most articles of consumption; and if he draws his check or note, it must bear a certificate on its face, to be duplicated on a receipt for payment. And if he chooses to relieve the monotony of home life by a visit among his friends, he finds in the rail car the restraining hand of the government on his recreation; and denying himself this gratification, and confining his travel to a journey to church in the *family carriage*, even this, his worship of his Maker, is made to pay tribute to the State that does not protect him against foreign competition.

I write this in no spirit of complaint, for the cause which rendered these taxes necessary was a sacred one: but I write it to ask that those who bear none of our burdens shall not despoil us of our means of payment, but shall enable us to bear our load by protecting our industry from invasion by the capitalists, manufacturers, and traders of Europe.

Foreign wool, enough to make a pound of cloth, can be laid down in the New York market for \$1 20 in currency, while American wool, enough to answer the same purpose, cannot be produced for less than \$1 50.

More than this: large quantities of the same kind of wool are imported into England duty free, and manufactured under their system of low wages and abundant capital, and then thrown upon our market, likewise to the detriment of American growers. Another portion is mixed with shoddy and manufactured into cheap cloth and dressed with flocks, and then forced upon us to the damage of our wool-growers and wool-manufacturers, and to the swindling of our consumers.

And we further say, that during the past four years, and until we reach specie payments, the duties on imports, at the present rates, although seeming to afford a considerable revenue, were and will be (on account of the difference between currency and gold) only adding to the burden of our debt.

So that, while we are patiently laboring for our own support, and struggling under oppressive taxation for the maintenance of our government, we are at the same time submitting to the folly of furnishing a substantially free market to those who bear none of our burdens, and to the meanness of picking up the rags of foreign nations under their audacious free-trade lie of furnishing cheap clothing to our industrial classes.

By the superiority of our flocks and the greater strength and excellence of our wool we can overcome any advantage foreigners may have in either their milder climate or their cheaper lands. But when we come to the question of the wages of labor and the burdens of taxation, we need, and think we have a right to ask, for our industry protection from our government, which draws so largely on us for support, and whose drafts we so faithfully honor.

Finally: In this country, where the laboring man, alike with the capitalist, must bear the burdens and enjoy the benefits of a free government and of a civilized and cultivated state of society, and consequently must have corresponding compensation, the cost of the production of wool resolves itself very largely into a question of labor, and the alternates are presented of a better protection against foreign competition or lower wages to our own laboring population and less reward to domestic industry.

Believing that the best interests of our country lie in the direction of depending on our own resources and fostering our own industry, which shall give us rails from our own mines, engines from our own shops, guns from our own foundries, and monitors from our own yards, cloths from our own mills, and

wool from our own sheep, bread from our own fields, and good markets at our own doors—thus placing us in a better position in time of peace, and rendering us less at the mercy of avowed enemies and less dependent on neutral neighbors in time of war—we ask Congress to impose such duties on foreign imports as will keep our laborers profitably at work, afford revenue to the government, and give us at least an equal chance with foreigners in the United States markets.

R. M. MONTGOMERY,

*President of Ohio Wool-growers' Association.*

HON. STEPHEN COLWELL,

*of the Revenue Commission.*

*Report of the proceedings of the convention of delegates from the National Association of Wool Manufacturers, and from the several organizations of the wool-growers of the United States, at Syracuse, New York, December 13, 1865.*

The following report of the proceedings of the convention of the wool-growers and wool manufacturers of the United States, prepared, under the supervision of the undersigned, from phonographic notes made with great fidelity by Mr. Yerrinton, of Boston, is commended to the attention of all interested in the two branches of industry represented. They will find the addresses and discussions replete with practical and original facts and suggestions; and, in the harmony of once distrustful, if not hostile interests, pledged by the resolutions and breathing through all the deliberations of the convention, will receive the most hopeful assurance of the future stability and prosperity of the woollen interest of the United States.

JOHN L. HAYES,

S. D. HARRIS,

*Secretaries of the Convention.*

In accordance with the terms of a call issued by the executive committee of the National Association of Wool Manufacturers, a convention of wool-growers and wool manufacturers was held in the city of Syracuse, New York, on Wednesday, December 13, at which the two interests were represented by delegates, as follows:

#### NATIONAL ASSOCIATION OF WOOL MANUFACTURERS.

E. B. Bigelow, Massachusetts, president; J. L. Hayes, Massachusetts, secretary; Joshua Stetson, Massachusetts; Theodore Pomeroy, Massachusetts; A. C. Russell, Massachusetts; S. Blackinton, Massachusetts; Jesse Eddy, Massachusetts; George W. Bond, Massachusetts; John V. Barker, Massachusetts; T. S. Faxton, New York; C. H. Adams, New York; R. Middleton, New York; Charles Stott, New York; H. D. Telkamp, New York; R. G. Hazard, Rhode Island; N. Kingsbury, Connecticut; Homer Blanchard, Connecticut; George Kellogg, Connecticut; David Oakes, New Jersey; Alton Pope, Ohio.

#### WOOL-GROWERS' ASSOCIATION.

*New York.*—Henry S. Randall, president; George Geddes, E. B. Pottle, William Kelly, James O. Sheldon, William Chamberlain, Samuel Thorne, D. T. Moore, James M. Ellis, A. F. Wilcox, E. E. Brown, Lionel Sherwood, Henry P. Randall, Wm. M. Holmes, Davis Cossit, James Geddes, Charles Tallman, Allen H. Avery, John R. Page, H. D. L. Sweet, Addison H. Clapp, Luther Baker, Spencer Beard, Charles H. Hibbard, William Plumb.

*Vermont.*—J. W. Colburn, president; Edwin Hammond, John H. Thomas,

Henry Boynton, Hampden Cutts, William R. Sanford, John Gregory, George Campbell.

*Ohio*.—R. M. Montgomery, president ; S. D. Harris, Wm. F. Greer,

*Illinois*.—A. M. Garland, president ; John McConnell, Franklin Fassett, Samuel P. Boardman.

*Wisconsin*.—Eli Stillson, president ; Thomas Goodhue.

*New England Association*.—George B. Loring, president ; Victor Wright, Daniel Kimball, Thomas Sanders, E. S. Stowell, Henry Clark, Jeremiah Thornton.

The delegates assembled at the city hall in Syracuse, on the morning of the above-named day, and were called to order, shortly after 10 o'clock, by Erasmus B. Bigelow, esq., president of the National Association of Wool Manufacturers, who read the call as follows :

“NATIONAL ASSOCIATION OF WOOL-GROWERS,

*Office, 55 Summer Street, Boston, Mass., November 23, 1865.*

“SIR : I am directed by the government of the ‘National Association of Wool Manufacturers’ to communicate to you the following copy of a resolve passed at their last meeting, and to respectfully invite your attendance at the meeting therein indicated :

“‘*Resolved*, That the executive committee of the National Association of Wool Manufacturers be instructed to invite the several organizations of wool-growers to meet at —, on — of —, for the purpose of consultation in relation to their mutual interests, especially as to the representations to be given respecting the wool-producing and wool-manufacturing interests before the United States tariff and revenue commission.’

“After consultation with representatives of the wool-growing interests present, the place and time of such meeting was fixed at Syracuse, New York, on the second Wednesday of December, 1865.

“Permit me to express the earnest desire of the government of the National Association of Wool Manufacturers that the wool-producing interests of the United States may be fully represented at the proposed conference, at which a full representation of wool manufacturers will be present. It is hoped that, by comparison of views at this meeting, the real identity of interests between the wool-growers and wool manufacturers may be fully recognized and firmly established, and that they may hereafter go hand in hand in promoting one of the most important sources of the agricultural and manufacturing prosperity of the nation.

“I have the honor to be, sir, very respectfully, your obedient servant,

“JOHN L. HAYES, *Secretary*.

“HON. HENRY S. RANDALL,

*President of the Association of Wool-growers*

*of the State of New York, and others.”*

Mr. Bigelow then said : “To carry out the objects of this meeting, it is necessary that it should be organized by the choice of the proper officers. With our permission, I will nominate, as the president of the convention, the Hon. Henry S. Randall, of New York.”

This nomination was unanimously confirmed by the convention ; and, on motion of General S. D. Harris, of Ohio, John L. Hayes, esq., of Massachusetts, was appointed secretary.

On motion of H. Blanchard, esq., of Connecticut, General Harris was elected an additional secretary.

The president then addressed the convention as follows :



GENTLEMEN OF THE CONVENTION: I thank you for the honor you have done me in calling me to preside over your deliberations. This convention, or conference, will, I trust, mark the introduction of a new era in some of the important relations subsisting between two great industrial interests. The American wool-producers and manufacturers have entertained differences of opinion on the subject of the respective duties which should be imposed on imported raw and manufactured wool. Those differences have led to repeated and severe contests in Congress, in nominating conventions, and even at the polls. The whole history of our tariff legislation on this subject has been a history of sudden, and, occasionally, violent changes in measures, and even in policy. Having elsewhere attempted to trace the effects of our different woollen tariffs on the two interests most directly involved, I will not repeat myself here. But I will call your attention to one great and significant fact which has been clearly established amidst all these struggles and changes. It is, that when the government has protected the manufacturer at the expense of the producer, or the producer at the expense of the manufacturer, the injurious consequences have fallen not alone on the branch of industry discriminated against, but upon both. This was inevitable; for, in reality, their interests are indissolubly connected. Neither could possibly flourish without the other, under any circumstances which have occurred in our country, or which can reasonably be expected to occur for generations to come.

The producer must have a remunerative home market. It is in vain to suppose that American farmers generally, on their comparatively small farms, and with their comparatively small capital, with the high duties of freemen and electors to discharge, with government to support, with public trusts to fill, with school-houses and churches to maintain, with children to educate for the future statesmen of our country, with those comfortable and respectable homes and easy modes of life to keep up, which should be made attainable to all the industrious citizens of a free republic—it is in vain, I say, to suppose that such men can compete with the vastly cheaper labor and aggregated capital of various other countries in the production of any article the price of which is so large in proportion to the cost of transportation as wool. On the other hand, the American manufacturer, without the home production of the raw material, would find it in the end more expensive, and at all times more difficult, if not actually impracticable, to obtain his full supply. And the same principle of free trade which overthrew the producer would, as a matter of course, extend to him; for it is not, and never can be, the policy of the American government so to legislate as to protect the manufacture of foreign staples to the exclusion of our own.

A United States revenue commission is now acting under the authority of Congress in collecting facts in respect to the operation of those laws under which all our government revenues are collected. This looks toward a change in those laws, and, among others, in our tariff on wools and woollens, if such a change is found to be needed. The United States revenue commission, to obtain the requisite information in regard to manufacturing, addressed inquiries to the National Association of Wool Manufacturers as the organ of that interest. To obtain the statistics of wool production, it purposed addressing inquiries to the several State wool-growers' associations, until it ascertained that this national convention of both interests was to be held. It then preferred to communicate with those State associations collectively, through their representatives here assembled.

I have the direct authority of the United States revenue commission for saying that it heard with pleasure that this convention was to assemble; and it expressed the hope that the wool-producers might have "a full representation both from the east and from the west." It would, no doubt, be highly gratified if the representatives of the two interests here assembled would concur in those representations which affect their common concerns—such, for example, as the

proportionable rate of duties which should be levied on unmanufactured and manufactured wools. If such a concurrence can be obtained, and on a basis which is a just and fair one to the consumer, it is reasonable to suppose that our action will have a strong influence both on the recommendations of the revenue commission and on the action of Congress.

It will not do for us, gentlemen, to overlook the interests of the consumer in our deliberations. As long as duties on foreign imports shall be collected for revenue purposes, all will concede that they should be so adjusted as to give incidental protection to those important branches of American industry which cannot flourish without such aid. All civilized nations—not even excepting England under her so-called free-trade laws—acknowledge, and, to a greater or less extent, according to their several circumstances, practice upon this principle of political economy. But the amount of such protection should always be measured by the ultimate good of the whole, and not by that of the protected classes. No patriotic and intelligent people will complain of reasonable discriminations in those duties which they choose to raise for revenue purposes, which foster home industry, and thus render them independent of foreign nations. But they have a right to complain of the establishment of any system which bestows a monopoly, or anything savoring of a monopoly, on a class or classes. And where such systems are imposed on a free people by their legislators, they are never slow to discover the fact, and to repeal such legislation.

Gentlemen, I have endeavored to state the preliminary object of this convention, though I take it for granted the occasion will not be lost to consider and take action on some other questions. I trust that our deliberations on all subjects will be characterized by a spirit of harmony, and by an earnest disposition to agree, though it should cost some concessions from both the interests here represented. By approaching every topic in this spirit, and with a willingness to listen to and weigh facts and arguments dispassionately and fairly before adopting conclusions, all differences may be happily adjusted, and at least they will be diminished and kept free from asperity.

We do not assemble as a convention under ordinary circumstances, where it would be proper to decide questions of importance by a majority of all the delegates present. The fact that we meet as the representatives of different interests, and without any limitation as to the number of delegates on either side, precludes that course. It has been agreed, therefore, that in cases where a divided vote is called for by delegates, the representatives of the producers and manufacturers shall vote separately, and it shall require a majority of each to make any action the action of the convention. In other respects, and until otherwise ordered, the ordinary parliamentary rules applicable to conventions will prevail.

At the request of the president, E. B. Bigelow, esq., the president of the National Association of Wool Manufacturers took a place upon the platform, and addressed the convention as follows :

This is the first time the wool-producers and the wool manufacturers of the United States have ever assembled to consult in regard to matters affecting their common interests. Considering the interrelations of these two industries, it is not a little remarkable that such a movement should have been so long delayed.

The particular cause of our coming together at this time is an application of the United States revenue commission for such information as will enable them, in revising the revenue laws, to suitably adapt the customs duties and internal taxes to the woollen interest.

The war having ended, it seems not improbable that these questions will soon come again before the national legislature : indeed, we may infer this probability from the existence of the commission just mentioned.

Clearly it is a matter of vast importance, that whatever is done in this di-

rection should be not only judicious in its character, but permanent in its action. If by well-considered co-operation we should be enabled to promote in any degree an object so desirable, the result must contribute to the best interests of the country.

As more than *seventy per centum* of the wool required for our vast and varied manufactures is of *home growth*, the interdependence of domestic wool-growing and wool manufacturing becomes apparent. Neither of these industries can long prosper, unless the other prospers also. Taken together, they constitute an interest scarcely second in importance to any of the great industries which promote the welfare of the people, and sustain the prosperity of the nation.

This great interest owes its present growth to national legislation, and is largely dependent on the same agency for its future success. Without the equalizing aid of discriminating customs duties, we can hold no successful competition with the accumulated capital and low wages of older countries. If the woollen interest of the United States is to continue to prosper, it must be maintained in a position to contend even-handed with the woollen interest of Germany, of France, and of Great Britain.

The only contest which can give success to our efforts lies, not between ourselves as wool-growers and wool manufacturers, but between us and the wool-growers and the wool manufacturers of other nations. This is a struggle that challenges our united forces, as between ourselves there is no real ground of antagonism. On the contrary, we are one in interest, and should be allied in purpose.

Scattered over the length and breadth of the land, as the wool-growers and wool manufacturers are, and without any organized modes of intercourse, it is not surprising that misapprehension should have arisen in regard to their actual relations, and the means necessary for their common prosperity.

The want of some organization capable of united and systematic action has long been felt among the wool manufacturers. To supply this deficiency they recently formed a national association, a leading object of which is the collection and diffusion of information on all those subjects in which they, as manufacturers, are particularly interested. Though this movement has thus far succeeded beyond their highest anticipations, they are not unmindful of the fact that all efforts to advance the interests of the wool manufacturers, which do not also embrace the interests of the wool-producers, will lack an essential element of success.

Influenced by these considerations, and aided by your own counsel and co-operation, Mr. President, the government of our association, at a recent meeting in New York city, instructed its executive committee to invite the several State organizations of wool-growers to meet them for consultation in relation to interests which belong to them in common, and especially to consider what answer shall be made to the inquiries of the United States revenue commission, as regards the great wool-producing and wool-manufacturing industries.

While these, Mr. President and gentlemen, are the immediate objects of our meeting, and demand our first attention, there are other matters of common concern which will doubtless come before us, and in regard to which it is highly important that we should think and act harmoniously. Let us hope that this occasion is to form the auspicious commencement of an intercourse between the growers and the manufacturers of wool, which shall not only be agreeable and advantageous to themselves, but beneficial to all.

To this very desirable result the formation of a national association among the wool-growers would greatly conduce, and I venture to express the hope that measures to that effect may soon be taken.

The "objects and plan" of our association are fully set forth in a pamphlet printed by order of its government soon after its organization. That our aims and motives may not be misunderstood, I beg to reproduce from the pamphlet *what alluded to the following paragraphs:*

"At the very outset, and with perfect sincerity, we disclaim the intention of assuming an attitude in any respect antagonistic to these great interests. It is, indeed, one leading object of our combination, that through it we may be enabled to work more understandingly, more harmoniously, more successfully with others, and especially with those whose pursuits are more or less connected with our own. We believe that there can be no greater mistake than to suppose that any of the great industries of the country are opposed to each other either in interest or policy. We trust that it will be an early, a constant, and a cherished object of the association to promote harmony and co-operation among the different classes of American producers."

"The opposition of interests, which has sometimes been thought to exist between men whose pursuits are different and yet allied—as between those, for instance, who grow a raw material and those who manipulate it—is, I believe, always imaginary, and cannot fail to disappear under a careful consideration of principles and facts."

"As our success in carrying out what is legitimate and practicable must depend somewhat on right understanding of what we can and what we cannot do, I may be permitted here to suggest that this association is not a combination among the manufacturers of a particular class to fix the prices of their fabrics, or to control the markets. Probably there are very few among us who have thought so little on the great laws of trade, or who know so little of human nature, as not to see that any such attempt would bring confusion into business, and, in addition to the odium which it would devolve on its authors, would be ultimately injurious to their interests. Let us not forget, however, that there is a way in which the operations of our society may have a natural and a wholesome influence on the course of trade. Just so far as it shall aid in ascertaining the exact condition of the demand and supply, and in keeping the producer constantly acquainted with the actual relations of those two important quantities, will it contribute to the normal and healthy adjustment of the same."

"These are the sentiments, Mr. President, which have animated our association from its commencement."

"The response to our invitation, which is made, gentlemen, by your presence here to-day, is of the most gratifying character. It gives assurance that, whatever may have been heretofore the attitude of those respectively engaged in the two industries here represented, they will henceforth move hand in hand in regard to all questions of practical interest and of national policy which affect their common prosperity."

Hon. R. G. HAZARD, of Rhode Island, moved the appointment of a business committee, to propose topics of discussion for the convention.

W. F. GREER, of Ohio. Before that committee is appointed, I think it would be highly proper, as there are several of the presiding officers of the State associations here, that we should afford them an opportunity to express their views upon this question. For the purpose of carrying out this wish, I move that Dr. George B. Loring, of Massachusetts, the president of the New England Association of Wool-growers, be invited to address the meeting upon the subject.

This motion was carried, and, in compliance with the invitation, Dr. Loring addressed the convention. He said:

MR. PRESIDENT AND GENTLEMEN: When I accepted the invitation to be present at this convention, it was intimated to me that a part of my duty, as president of the New England Wool-growers' Association, would be to present certain views of the interests and wishes of the wool-growers generally, as I understand them, to the convention. I was also requested to prepare myself—always a safe request, and always a safe thing to be done by gentlemen who are placed in a prominent position over any body of their fellow-citizens, and especially in a time like this, when we are endeavoring to harmonize two great interests in this country. A careless word, dropped here accidentally in un-

written debate, might awake an ill-feeling which hours would hardly dispel. I have, therefore, prepared myself, at the request of the distinguished gentleman who asked me to appear here; and I am exceedingly obliged to my friend from Ohio, who has given me an opportunity to present these views; and, more than all, I feel under obligation to the president of the National Association of Wool Manufacturers for the tone which he has given this convention. It must really be a source of infinite satisfaction to the great body of wool-growers in this country, who should be producing wool enough to supply all the spindles of the country, to know that the president of the National Association of Wool Manufacturers desires that they should derive all their raw material from United States soil; and I therefore with the more pleasure address the convention. Perhaps I may travel over more ground than some of you older gentlemen might deem necessary; but you must remember that some of us are yet young in this work, speakers as well as hearers.

I suppose this convention of wool manufacturers and wool-growers has been called together for the purpose of devising some plan of governmental protection, which shall be of equal advantage to both of these great branches of industry. That both are entitled to protection, I think no man will deny. That either should be protected at the expense of the other, I think no fair practical man will claim. In order that we may approach some definite understanding of our necessities as farmers and manufacturers, and of our relations to each other, I propose to review briefly the wool trade and wool tariffs in this country and elsewhere for the last few years.

If we will turn our eyes abroad we shall find that in every instance where wool manufactures have flourished, it has been under the protecting arm of the government, shielding its citizens against foreign competition. From the days of Edward III until now, England has pursued this policy, and has fed and clothed and enriched her people, by covering her hills with flocks and multiplying large manufacturing towns within her borders. For many centuries she made everything subservient to that handicraft upon whose success depended the development of the industrial power of her people, and the growth of her trade and commerce. France learned the same policy under the Great Napoleon. Austria, by duties almost prohibitory, has elevated herself into the front rank of manufacturing nations, supplying its own population, and exporting to every quarter of the globe, goods of the highest cost and most elaborate finish. Sweden owes almost her entire prosperity to her devotion to her manufacturing population. Russia has risen on the same policy, from a strictly agricultural nation, to a degree of manufacturing wealth and prosperity almost unparalleled, in the short period of half a century.

In our own country we have the remarkable spectacle of an active, intelligent, and industrious people struggling against repeated financial convulsions and every variety of tariff policy, to develop an industry upon which much of our prosperity depends.

We have had the tariff of 1832, in which wool valued at less than eight cents per pound was imported free of duty, and all wools of higher value were protected by a duty of forty per cent. and four cents per pound. At the same time, woollen manufactures, kerseys, &c., the value whereof shall not exceed thirty-five cents the square yard, cheap woollen goods, in short, required on the plantations of the south, for the manufacture of which our wools and labor were particularly adapted, were admitted at a duty of five per cent.; high cost woollen goods, at a duty of fifty per cent. It is not difficult to understand this policy now. We understand now what it meant; and we should have understood what it meant then.

The tariff of 1842, imposing a duty of five per cent. on all wool costing less than seven cents per pound, and thirty per cent. and three cents per pound on all wools costing over that sum, had hardly begun to manifest its beneficent

influences, when a return to the old policy of sacrificing every interest to what were called the great producing sections of the country, when the destructive tariff of 1846 levelled wool and woollen goods alike, and reduced sheep and mills to a mere nominal value.

The tariff of 1857, which found our clip of wool, under the influence of those tariffs already mentioned, reduced from 52,500,000 pounds per year to less than 40,000,000 pounds, served to stimulate manufactures somewhat, and also found us very much at the mercy of foreign producers for our supply of raw material. From this tariff the American wool-grower could derive but little benefit, the foreign producer having almost the control of the market.

The tariff of 1861, with the addenda of 1862, 1863, 1864, and 1865, has somewhat established for the first time the true relations which should exist here between the producer and consumer, between the wool-grower and the wool manufacturer. Whatever may have been the cause of this manifest change in the policy of the government, the two great branches of industry represented in this convention should consider it as the commencement of a firm and even prosperity for both.

This, I am confident, must and should be the policy of our country for the future. A recognition of the true relations which exist between the manufacturer of the east and the wool-grower of the west and south can alone give firmness and prosperity to each. It needs no elaborate argument to prove that the domestic market for American wool should be the best market. The same prosperity which has attended the growth of manufactures in other countries must attend their growth here. The great system of free trade which exists between the States demands for the foundation of our domestic commerce an equal development of each section, and energy, activity, and success in each special branch of business. New York and Boston, the two great centres of manufactures, the two great wool markets of the country, offer facilities for trade which can be found by us in no foreign port. Lowell and Lawrence, and all the manufacturing villages of the north, afford the American wool-grower his most convenient market. And it is upon the growth and vigor of this section that the wool-producing sections of the United States must depend for their largest and most reliable, sure, and constant profits.

On the other hand, where can our mills look for the raw material, out of which to manufacture certain classes of goods, with more propriety and to better advantage than to our home production, so far as it goes. The styles of wool produced within the limits of the United States are adapted to those fabrics which we have succeeded thus far in manufacturing to the largest profit. And there is no reason why the American manufacturer should not patronize that territory included within the boundaries of his own government, by providing himself with the raw material from thence, and by availing himself, in return, of that market for his manufactured goods, which is good in proportion to the sale it meets with for its agricultural products.

When our great agricultural districts raise wool not for the domestic market, and our mills produce cloth not for home consumption, a blow will be struck at that great opportunity for even prosperity to all which is offered us by our free government, with its equalizing laws of trade between States and sections. One great source of our national strength consists in the diversity of our resources and the extent of our territory. Never before has a people been found able to live within themselves alike prosperous through the enjoyments of peace and the trials of war. And this power and strength we shall retain if we will but recognize the obligation which rests upon us to develop our various resources by mutual aid and dependence.

That the present system of protection is beneficial to the wool-grower and manufacturer, or has thus far been, is evident from the statistics of trade at the present time as compared with the past. In 1860 we produced 60,264,913 lbs.

of wool. In 1864 we produced 80,000,000 lbs. And so far was this latter clip from supplying the manufacturers, that we imported 72,734,503 lbs.; nearly 70,000,000 lbs. of this were imported into Boston and New York alone, and a large portion for the manufacture of such goods as are suited to our common wants, the English and other long combing wools constituting the smallest portion of the importation.

This increase has taken place, I am aware, during a period of war, in which there was an unprecedented demand for woollen goods, especially for those adapted to army use. But when we remember the vast amount of new industry which is brought into existence, the great territory which has been opened, the increasing markets which have been developed by the advent of peace, we may be assured that our manufactures have a future before them as encouraging as any period of the past. That they may derive the full benefit of the present state of affairs, the wool interest is entitled to the most encouraging and careful legislation. Such duties on manufactured goods as will remove all competition from foreign manufacturers; such duties on foreign wools as will encourage wool-growing here—these we require from the fostering hand of our government. While I look forward to a supply of cotton from this country, which will not only furnish our own mills with raw material, but will also control the markets of Europe, and thus give America the command of the cotton trade, by the natural laws of production, I look to some protective measures to give our wool trade an equally powerful position in the commerce of the world. We can export cotton, for we are without a rival in its growth. We ought not to import wool; we cannot export it in competition with the cheap lands, cheap labor, and cheap living of our greatest foreign competitors. Our wool business is a home business, both as concerns its growth and manufacture. And we must make the home trade a prosperous one.

I am aware that there are those who will point to the policy of England, in her persistent and successful attempt to develop her wool industry, and remind me that she has protected her manufactures alone, and left her wool-growers to use the market thus created for them. I have not forgotten she has forbidden the exportation of wool, and has thus thrown the wool-grower entirely into the hands of the manufacturer. The export of sheep, even, was prohibited. Her own cloths were prescribed as the material adapted to the costume of many public occasions. She encouraged her manufactures in every possible way—thus leading on and developing wool-growing, until her product reached nearly two hundred and fifty million pounds. When we remember the small extent of territory in which this large amount of wool is raised, we must admire the policy which has produced this wonderful result.

But England is not America. Her agricultural population, especially the laboring portion of it, constitutes by no means an influential part of the community. They expect a small reward for their toil, and they get it. They are not the largest consumers of the goods manufactured out of the raw material which they themselves produce. England possesses within herself but little diversity of climate, no great extent of territory, no domestic commerce sufficient to support any large class of people or to vitalize a great controlling interest. She draws her life from abroad; she returns to foreign markets the fruits of her labors, and she finds in them her chief means of subsistence. To establish in an empire like this a great patronizing and ruling class, the lords of the mill, the directors of one great branch of agriculture, the patrons upon whose decrees the success of a large class of dependents hangs, is a work comparatively easy in England. Not so here. The prosperity of the wool-grower should be built upon as firm a foundation as that of the manufacturer; and both should be as sure of a liberal reward for their labor, and a constant one too, as the chances and changes of business will allow.

*In considering the claims of wool for protection in this country, and at this*

time, we should not forget the effect which our financial condition has upon it, and upon manufactured goods. Our domestic industry is largely stimulated by an inflated and redundant currency. The prices of all commodities, whose value is controlled wholly by a home market, are unusually high. The price of gold as a recognized standard, the high price of labor, the prevailing spirit of speculation, all combine to give a market value to our domestic manufactures, almost unprecedented. A high protective tariff, which secures to these manufacturers the full benefit of the home market, also enables the manufacturer to establish his own prices, free from the influence of exchange or the fluctuations of gold.

None of these advantages does wool enjoy. The price of our domestic wools is established by the foreign market. Like all other articles of export and import, it has followed the price of gold, and has never reached a point corresponding to the rise of manufactured goods, or to the greatest inflations of the war. With Donskoi wool at twelve cents per pound, and Buenos Ayres at nine, and Cape, washed, at seventeen and a half in the English market, the American farmer stands a poor chance, even after reckoning the rates of exchange, and the small duty of three and six cents per pound which is laid upon such foreign wools. The American wool-grower, therefore, finds himself in the hands of the Philistines, not even raised to the dignity of fair competition with his own people, in the management of his portion of the wealth of the nation. It is a striking fact, that while, under the tariff of 1842, wool averaged forty-six cents per pound, under the tariff of 1861 it reached in 1863 only an average of seventy-four three-quarters, with all the pressure of gold, an active market for manufactured goods, and not a superfluous clip. The duties fixed on wool in 1864 were needed to give the wool-grower a proper remuneration at that time.

In addition to these difficulties, the wool-grower and the manufacturer are both laboring under that burden which always attends a disturbance of the currency. In a business like the wool business of this country, which in neither branch finds any outlet through the demands of a foreign market, or through our own power to export at a profit, it is exceedingly important to check importations, and to keep the market healthy and level. At present, however, the rates maintained by gold and currency offer every inducement to the importer, and neutralize that very tariff of fifty per cent. which was laid upon imported woollen goods as a protection to the American manufacturer. At the same time that gold, as an article of merchandise, holds a position just fifty per cent. in advance of the gold standard, almost all other merchandise finds another level, and is, in most instances, one hundred or two hundred per cent. in advance of the same standard. All our manufactured goods, so far as my experience goes as a small consumer, and so far as I remember, are in this condition—inflated by the currency, labor, the tariff, and speculation, to these high rates.

Mark the temptation which this state of affairs presents to the importer. He brings his goods into our inflated markets; sells them at the advances fixed here by our currency, one hundred or two hundred per cent. higher than before the war; converts his currency received for his goods into gold, another article of merchandise, at fifty per cent. advance only—making a profit of fifty per cent., or one hundred and fifty per cent. He counts up his profits, examines his invoices, adds his expenses and the duties, and, with his gold in his pocket, returns to his work. And well he may return; for he finds that he has, by converting American currency into gold, wiped out the tariff of fifty per cent. on manufactured woollen goods, and perhaps secured a profit of one hundred per cent. on top of this.

While this state of things exists, the export of all articles raised in this country, (with the exception of cotton and tobacco, which are in an abnormal condition on account of the war,) such as corn, flour, wheat, provisions, is entirely prevented; for while these articles must be raised at currency prices, one hun-



dred or one hundred and fifty per cent. advance, they must be sold for gold abroad, convertible into currency at only fifty per cent. advance. All this class of articles, productions of our agricultural industry, costing us one hundred and fifty per cent. advance when sold for gold and reconverted into currency, brings us but fifty per cent. advance. Hence it is that flour, corn, wheat, and wool are relatively so low in the market. We produce gold as well as wheat and wool, and in the long run the same law of trade applies to all productions.

I can conceive of a state of affairs in this country in which "duties on wool should be entirely abolished," with the certainty that our manufactures would thereby be so increased that a great demand would be created for American wools for the specific purposes to which they are adapted. But that state of affairs does not now exist. Before a paying demand for American wools can be created on such a basis as this, our currency must be restored to a sound basis, and the markets of the world must be opened to our manufactured goods. Until that time arrives, let us hope that all will join in demanding a tariff of equal protection to the wool-grower and the manufacturer.

But it is not from the fluctuations of trade, and the irregular effects of tariffs alone, that the wool-grower has suffered. A sharp and somewhat bitter controversy has been carried on as to the breed of sheep best adapted to his wants, and the wool which he has produced has met with violent opposition. So far as breeds are concerned, the experience of a large portion of our farmers has taught them that, in almost every section of the Union, both for mutton and wool, the merino is the most valuable animal of this class, especially in the improved form to which he has been brought by the American breeder.

There is no doubt that a pound of the wool grown upon this animal is more cheaply produced than any other wool that can be grown here. Of its quality, I have only to quote the testimony of John L. Hayes, esq., the efficient and accomplished secretary of the National Association of Wool Manufacturers. In his elaborate and learned address to that society, in September last, he says: "American merino wool is fitted for fancy cassimeres, in which we excel; for fine shawls, in which we have attained great perfection; for mousselines de laine, which we have of great excellence, and which we owe to our American fleeces. The true value of the fleece of the American merino is for combing purposes, for which it has remarkable analogy with that of France. This country will never know the inestimable treasure which it has in its fleeces until American manufacturers appropriate them to fabricate the soft tissues of merinoes, thibets, and cashmeres, to which France owes the splendor of the industries of combing-wool at Paris, Rheims, and Roubaix."

The process by which this wool has been developed is one of those remarkable and sagacious efforts which man has often made to secure the largest benefit from the domestic animal, accordant with the soil and climate to whose influences he is subjected. The production of the improved short-horn, the New Leicester, Cotswold, and South-Down sheep, in England, and of the improved American merino on this continent, is a work of human skill worthy of being classed with those great inventions by which mechanical forces have been brought to perfect submission and usefulness. The Spanish merino, on his arrival here, was an inferior animal, as regards size, shape of carcase, style of wool, and weight of fleece, when compared with that animal now known in this country and in Europe as the improved American merino, a name as appropriate to him, notwithstanding his ancestry, as our national cognomen is to us who trace our descent from almost every "kindred, nation, and tongue under heaven." While the mutton sheep of England are unsuited to our climate and soil, and are neither adapted to the extensive grazing lands where flocks are fed, which are counted by the thousand, nor to the small farm which cannot furnish any luxuriance of food, the merino, as at present developed, seems to answer the want of all American farmers, large and small. In the size and

shape of his carcase, it would be difficult to find his superior. Of that medium size which is best adapted to most of our pastures, and to our winter feeding, his form presents all those points of conformation which indicate a hardy, robust constitution, and great thrift. I have seen prize merino rams and ewes exhibited in New York and the New England States, whose swelling outline on each side, from the ear to the tail, could not be surpassed in beauty by the finest ship that floats. In liveliness and elegance of expression, in strength of neck, in depth through the heart, in spring and swell of the rib, in straightness of back and width of hip, and depth of loin, and structure of limb, they are excelled by no existing breed of sheep. They are acknowledged by the most prudent and successful feeders to be the most profitable sheep for the stall, and they produce a quality of mutton which has been mistaken by the best judges for the far-famed South-Down. What a picture this, gentlemen, of that "little dirty runt of an animal neither fit to raise wool nor fit to eat!" as we have been told over and over again.

I have already alluded to the style of wool which these animals produce. From the fine, short clothing-wool produced by the original Spanish merinoes, with their light fleeces, there has been developed a long-staple combing-wool, measuring from two and a half to three and a half inches in length, devoid of the lustre of some English combing-wools, it is true, but strong, firm, lively to the very ends, and wasting in the card probably less than any wool known. This is the wool adapted to the fabrics enumerated by Mr. Hayes in the passage which I have quoted. It is readily grown from the hills of Vermont to the plains of Texas. It is kept up to the standard of the best quality with comparative ease. The weight of actual wool in each fleece of a flock is easily increased by judicious breeding, and without that excessive feeding which is required for an increase of long wools; and, when properly grown, it surpasses all other wools in the amount produced by each square inch of the animal upon which it is raised. It is profitable wool for the farmer to raise, and profitable for the manufacturer to work, if he will only establish a standard of quality, and purchase in relative proportion, as concerns prices.

We hear this wool abused on account of its weight. The wool which I have described is the highest quality of merino combing-wool, grown in heavy fleeces, in which yolk and oil are properly distributed, and which are protected on the ends by a sufficient supply of gum to keep it from being injured by the weather. These fleeces weigh from twelve to fifteen pounds from the ewes, and from twenty onward from the rams. Such fleeces are not raised without care, but they are indicative of the capacity of the American merino as a wool-growing animal, and they are, when cleansed, the best wool of their kind to be found in the market.

There are heavy wools, so called, which shrink excessively, and which, when cleansed, furnish but little really good working material. But the wools to which I refer shrink to something upon which the manufacturer can depend.

The true value of this wool is becoming more and more acknowledged. Disappointed breeders, and too many buyers, still continue to decry it, and the disparaging phrases, "grease and tar and dirt," are the common weapons now employed by those who flippantly abuse the millions of merinoes which are owned in the United States, and the system of breeding by which the profits of these flocks have been increased threefold.

Let not the wool-grower nor the manufacturer be alarmed by this talk. The American farmer, with his heavy taxation, his proper personal necessities, his care for the education of his family, and the maintenance of good institutions, to which you have already alluded, sir, and with the prices of labor and feeding generally, cannot afford to raise light fleeces; I mean, by this, fleeces cleansing to two and a half and three pounds of wool. This may be done by nomads, by serfs, or by those who live on the confines of civilization, and in

latitudes where sheep require but little shelter, but it cannot be profitably done in most sections of the United States. It is heavy fleeces, then, which our wool-growers want, and which will most benefit our manufacturers. To produce these fleeces the wool-grower must also produce a certain proportion of oil, and, up to a given point, the increase of wool may be measured by the increase of oil. It is not just, therefore, to charge upon the wool-growing community that they are dealing in "tar and dirt," while they can demonstrate that their growth of clean wool is increased by a proper attention to grease and yolk, and that the quality of the wool may be improved by this attention.

The skilful breeder knows this. If he has a flock of light-sheering sheep, he may not select a dry ram with any hope of increasing the clip of his future flock. It is only by using a greasy ram that he can accomplish his object, and this is owing, not to the grease alone, but to the fact, that with a proper secretion of oil and yolk usually go those other points which make a ram valuable, such as firmness and thickness of fleece, uniformity of style over the whole body, complete covering of the whole surface, and that most attractive feature of a good sheep, a well-wooled head, and a clean, strong, expressive face. A dry-fleeced ram may possess these points, but it is seldom; and, if he does possess them, he can seldom transmit them.

The wool-grower must not be discouraged, then, in his production of heavy fleeces, for in this way, and in this only, can he increase his production of clean wool, and multiply the profits of his husbandry. This is known now throughout the United States.

I consider, therefore, that—

1. The American improved merino is capable of producing more clean wool on a given surface of body, and with a given amount of food, than any other breed of sheep.

2. That American merino wool is peculiarly adapted to those fabrics which constitute the most profitable American manufactures.

3. That, to bring this wool to its highest degree of perfection, that system of breeding which has been adopted in developing the best of these sheep should be pursued by wool-growers generally.

4. That shrinkage is no loss to the wool-grower, inasmuch as with light fleeces he is engaged in raising the most expensive wool.

One word, now, with regard to the purchase and sale of American wool. Manufacturers must be aware that this business has been pursued without proper discrimination. The rule, that washed wool is washed wool, and unwashed wool is unwashed wool, has been followed with too little judgment. To shrink unwashed wool one-third in purchasing is considered a wise and proper precaution by purchasers generally, knowing, as they must, that it is often the washed wool upon which there is the greatest loss in manufacturing, and that unwashed wools do not shrink alike. The injustice arising from this custom is a mere incentive to fraud on the part of the wool-grower, who resorts to every expedient by which he can sell the heaviest-washed fleeces.

May we not, then, abandon the system of sheep-washing altogether? It is injurious to the sheep, fails to secure clean wool to the manufacturer, and complicates the business of buying and selling. An intelligent purchaser can judge, or ought to be able to judge, of the quality of the wool he is buying. If wool is presented to him uniformly as it was shorn without washing, he can exercise his judgment, and make his comparisons fairly. I believe that in this way the market for American wools can be equalized, and the comparative merits of Vermont, New York, Ohio, and Texas wools would be thoroughly ascertained and fixed. I trust this convention will take some combined and definite action on this point.

*In the views which I have presented with regard to the relations which exist between the wool-grower and the manufacturer—between the producing and*

manufacturing sections of our country—I have endeavored to ascertain what is for our highest mutual interest. The wool business, in all its branches, should be a domestic trade. The market for woollen goods in this country is ample—so ample that the foreign manufacturer finds many temptations here presented to him at the hands of the importer. Our interest should confine us at home, especially in a branch of trade in which we produce nothing to export, but are constantly compelled to supply ourselves by importation. Is it too much to expect that our great wool-growing districts will one day furnish us with an abundant supply of the raw material, and that our mills will fill our market with manufactured goods? I think not.

But not by controversy, and contention, and rivalry can this be done. We cannot bite and devour one another, and bring success to this great national industry, which is represented in all its branches in this convention. Can it be expected that the west, smarting under the impoverishment which follows a hard wool market for her, a market glutted with foreign wool, will be ready to protect the manufactures of the east from the competition of the importer? Can the east, whose mills are silenced by low tariffs, and the financial troubles to which I have alluded, bend her energies with good will to the protection of American wools? Oh, no! whatever may be the necessities of other branches of business, ours requires entire harmony of feeling and reciprocal effort between those two great sections where are found the producer and consumer.

And more than all, may we not create through our business that bond of union which has once been broken by rivalry and bitterness of feeling, engendered by striving interests? That pestilent theory, that one section of our country was flourishing at the expense of the other—what folly of nullification did it inflame? In what horrors of civil war did it end? I trust we shall not forget this. For we may, if we will, establish a policy of mutual benefit, whose prosperity shall be even and permanent, and which shall make manifest the social and civil elevation which may grow out of a just and fair distribution of the protection of government, and of the commercial energy of a people whose domestic trade is free and untrammelled.

The question was then put on the motion for the appointment of a business committee, and carried.

The Chair announced the committee as follows: Rowland G. Hazard, of Rhode Island; Henry Clark, of Vermont; N. Kingsbury, of Connecticut; Samuel P. Boardman, of Illinois; J. M. McConnell, of Illinois; Theodore Pomeroy, of Massachusetts.

On motion of Mr. E. B. Pottle, of New York, a committee on resolutions was appointed by the chair, consisting of one member from the New England Society, one from each State Wool-growers' Association, and an equal number from the Manufacturers' Association, as follows: E. B. Pottle, of New York; E. B. Bigelow, of Massachusetts; Edwin Hammond, of Vermont; T. S. Faxton, of New York; George Kellogg, of Connecticut; George B. Loring, of Massachusetts; A. Pope, of Ohio; R. M. Montgomery, of Ohio; J. Eddy, of Massachusetts; E. Stetson, of Wisconsin; David Oakes, of New Jersey; A. M. Garland, of Illinois.

The convention then adjourned to two o'clock p. m.

#### AFTERNOON SESSION.

The convention met pursuant to adjournment, the president in the chair. Mr. R. G. Hazard, of Rhode Island, from the committee on business, reported the following subjects for discussion:

First. The tariff and internal revenue.

Second. The reciprocal and mutual interests of wool-growers and wool manufacturers.

Third. The marketable condition of wool best suited to promote the mutual interests of wool-producers and manufacturers, including the one-third shrinkage rule.

Fourth. The wool best adapted to the various manufactures, especially that of worsted.

On motion of Mr. W. F. Greer, of Ohio, the report of the committee was accepted.

Mr. J. W. COLBURN, of Vermont. I would inquire if there is a copy of the present tariff bill here. If so, I would like to have that part of the bill which relates to wool and woollens read, so that we may understand what the tariff now is.

Mr. GEORGE GEDDES, of New York. It seems to me that the first subject proposed by the committee is rather one to be referred to a committee to report upon. It would take, I have no doubt, all the time this convention would be willing to devote to this whole business to discuss that matter. A committee might make a report upon it, but I cannot believe it is a very good topic for discussion here. I would suggest, therefore, that the president read the second proposition of the business committee.

The PRESIDENT. I would remark, that when the committee on resolutions report, they will probably present something tangible on the subject. These topics were laid before the meeting for general discussion, without particular action, merely to call out the views of the members present. It was supposed that perhaps it could be done a little better after the resolutions were brought in by the committee; but still there is nothing to prevent any remarks that any member sees fit to make.

The second subject for discussion was then taken up, to wit, the reciprocal and mutual interests of wool-growers and wool manufacturers.

Mr. H. CUTTS, of Vermont. I would like, sir, to make a few remarks, and perhaps I may as well make them upon that question as upon any other. I have not come here prepared with any written speech, nor have I been requested by any person to prepare myself; but still I hope, unprepared as I am, that I shall be able so to tame and temper my remarks, that they shall not tend to disturb that harmony which I am very much pleased to see so far exists between the two interests, the wool-producers and the wool manufacturers. I think that such harmony is very important. Their interests seem to me to be mutual, and, in some respects, dependent on each other. It is certain that it is necessary to the wool-grower that he should have a sure and permanent market for his product in his own country; and, in order to do that, it is necessary that the manufacturer should have success in his business, and be able to carry it on successfully and profitably. It is also for the interest of the manufacturer to be able to depend upon his own country for the raw material which he manufactures; that he shall not be at the mercy of foreigners in regard to his supply, but shall be sure to have it produced in his own country, if it can be. Any thing that should tend to make it unprofitable or unsafe for the wool-grower to raise wool would be ultimately against the interest of the wool manufacturer; for that would tend to make wool scarce in this country, and consequently raise the price, and he would be obliged to pay the foreigner whatever he might ask for it. Now, I apprehend that the present state of things tends a little that way. I would like to have a free discussion of that subject, and everything relating to it.

It seems to me that the price of fine wool, as compared with the price of cloths manufactured from fine wool, is at present extremely low, and hardly remunerative to the producer. When we take into consideration the very high price of labor, and the increased tax which the wool-grower has to pay, it is certainly doubtful whether, with the present encouragement he has in its sale, he can go on and produce it in the quantity he has done. I think he cannot.

Now, sir, let us inquire to what this is owing. What is the cause of the present low price of wool? I do not pretend to be able to tell all the causes which have produced this effect, but I think I can point to some of them. One is the defective operation of the tariff. That, I believe, as has been suggested here, can be improved by avoiding certain frauds that are now perpetrated at the custom-house; and an excellent suggestion has been made, that we should have a committee to go to the custom-houses, and see how that tariff is carried out; and see whether the views of the government are carried out or its laws evaded. It is my opinion that those laws are evaded. All *ad valorem* duties are extremely liable to be evaded. I am aware, and it is doubtless well known to all gentlemen here, that the British government, who have been remarkable for protecting their own industry, never succeeded in doing so until they took particular pains to have their views carried out at the custom-house, to prevent frauds there. To prevent these frauds, it is of great importance that we have specific duties rather than *ad valorem* duties. These *ad valorem* duties are easily evaded, because the foreign shippers can make such a valuation as they choose; and it is well known that they have two invoices, one giving the real cost, and the other made up (and sworn to, too) to be presented at the custom-house, for it is well known to the foreigner that a custom-house oath is to be bought very cheap. Therefore these duties amount to nothing; and, though we have specific duties, they are so low, that they amount to nothing. What is a duty of three cents a pound on wool, when we consider the price of labor here as compared with that abroad? It is a mere nothing. It is necessary, then, I think, that we should have a more efficient protection on wool than we now have—higher duties, and those duties thoroughly and efficiently enforced.

Then the unsettled state of the currency of the country is another reason why wool is depressed. There is a feeling that the attempt may be made to resume specie payments; and this makes the manufacturer, as he should be, cautious in buying large quantities of the raw material. In consequence of that, I understand that it is now the fact, that instead of supplying himself with a year's stock, or six months', or even three months' stock, he buys from day to day, or from week to week. That leaves large amounts in the hands of the wool dealer, and, of course, has the effect to depress the price.

Well, sir, there is another thing that operates against the producer; for I think this should be a free discussion, and we should not hesitate to say everything we think is true in regard to the matter. I think there is another thing which has tended, and does now tend, to keep down the price of wool, and Vermont-wool especially, and that is the impression that Vermont wool shrinks more than any other wool. Now, I intend to put the blame of this where it belongs, if I can, and nowhere else. I believe the manufacturers are a great deal to blame in this matter. I believe they have not made sufficient discrimination in their purchases of wool, and that they must take the blame for encouraging the production of wool that shrinks very much, because they have paid as much, or nearly as much, for that as they would for wool that shrunk but very little.

At this point Mr. Cutts gave way for the report of the committee on resolutions.

Mr. E. B. POTTLE, of New York, chairman of the committee, said:

It gives me great pleasure to say, that the series of resolutions which we shall report to this body have been agreed upon unanimously. Perfect harmony and unanimity have marked the proceedings of the committee from beginning to end. The committee report the following resolutions for the consideration of the convention:

*Resolved*, That, of the great industries with which the people of the United States can occupy themselves to advantage, the woollen interest is especially commended for combining and developing in the highest degree the agricultural and mechanical resources of the nation.

*"Resolved,* That the mutuality of the interests of the wool producers and wool manufacturers of the United States is established by the closest of commercial bonds—that of demand and supply; it having been demonstrated that the American grower supplies more than seventy per cent. of all the wool consumed by American mills, and, with equal encouragement, would soon supply all which is properly adapted to production here; and further, it is confirmed by the experience of half a century, that the periods of prosperity and depression in the two branches of woollen industry have been identical in time, and induced by the same general causes.

*"Resolved,* That as the two branches of agricultural and manufacturing industry represented by the woollen interest involve largely the labor of the country, whose productiveness is the basis of national prosperity, sound policy requires such legislative action as shall place them on an equal footing, and give them equal encouragement and protection in competing with the accumulated capital and low wages of other countries.

*"Resolved,* That the benefits of a truly national system, as applied to American industry, will be found in developing manufacturing and agricultural enterprise in *all* the States, thus furnishing markets at home for the products of both interests.

*"Resolved,* That it shall be the duty of the respective executive committees of the National Manufacturers' and National Wool-growers' Associations to lay before the Revenue Commission and the appropriate committee in Congress these resolutions, together with such facts and statistics as shall be necessary to procure the legislation needed to put in practical operation the propositions therein set forth."

The report of the committee was accepted.

Mr. CURTIS then continued his remarks as follows :

When the committee came in, Mr. President, I was remarking upon the necessity of the wool manufacturers making more appropriate discrimination in their purchases of wool than they have hitherto done. It is well known that they have not been very discriminating, but have paid as much, or nearly as much, for wool that shrunk excessively as for that which shrunk very little. It seems to me that this must be against their interests. Many people for a long time stood out, and attempted to raise the best kinds of wool, and with the least shrinkage, but the manufacturers did not second their efforts, and many men undoubtedly have been driven into raising the very heaviest gross weight fleeces from this very action on the part of the woollen manufacturers; and but for that, perhaps, those sheep that now sell at such high prices in Vermont would not be considered the best. That is to say, but for that, sheep that would raise the most actual wool, at the least expense, might be considered the most valuable, and might sell at the highest price. Such is not the case, I imagine. But, whether it is or not, that matter will be tested by the practical test which is now coming into operation; and that is, the public shearings, in which the fleeces are weighed unwashed and unshrunk, and then the actual amount of wool is weighed, so that we shall know the quantity of wool raised from them.

Now, sir, I would suggest to the manufacturers, in all fairness, and respectfully, that perhaps they have been a little remiss in this particular, and that it will tend greatly to the promotion of harmony and good feeling between the producers and manufacturers, if henceforth they will make more discrimination, and pay for wool more nearly what it is actually worth. It is in the power of the manufacturer to encourage the wool producer in this way as much as by the imposition of a tariff on foreign wool.

This morning, Mr. President, we heard some remarks upon the good feeling that should exist, from their community of interest, between the manufacturer and the producer, and I must say that I coincide with most of them, but there were some few things that I could not well subscribe to. I have been engaged

in the raising of Spanish merino sheep some thirty years; and from that experience I suppose I would have a right to give an opinion; but, sir, it would be far from me to undertake to set up any particular method of breeding, and say that no one must attempt any other. It would be my mind that every breeder should consult his own judgment and his own free will. In regard to breeding from Spanish merinoes, I have my own opinions, and with due deference to all others, I would express them. But I do not undertake to put down any other man's opinion. I do not come here at the request of any man, or any set of men, to be champion of any particular kind of breed; and I would not undertake to cast any aspersions upon those who think differently from me. I was rather sorry at the tone with which my friend (Dr. Loring) spoke of this matter this morning. He spoke of what he called "the improved American merino." I understand, from the tone of his remarks, that he means by "American merinoes" those sheep that produce what I will call the heaviest fleeces. Now, the question is, what is the heaviest fleece? Because, when you talk of a fleece, you should mean a fleece of wool. If you do mean wool, then that is the heaviest fleece that has the most wool in it; but if you mean that that is the heaviest fleece that contains the most weight, no matter what it consists of, that is another thing. The gentleman, as I understood him, described that class of sheep whose fleeces weigh the most in gross weight, and, of course, shrink the most, and have the smallest amount of actual wool in them, in proportion to their gross weight. Now, sir, I am not prepared to say that no one shall attempt to make an improvement on these sheep. I am willing to accord to the gentlemen who have raised this kind of sheep all the merit they deserve, and they certainly deserve a great deal. If their object was to raise sheep that would sell for more money than any others—and that was their object, I suppose—they have succeeded. If it was their object to raise sheep that would yield the most wool in proportion to the cost, I am not sure that some one else may not be as successful in another mode. I think every one is at perfect liberty to make the attempt. If any man should think fit to undertake to improve still further upon these American merinoes, by raising the weight of actual wool produced by them, he has a right to do so, without being subjected to any aspersions, and without being told that he ought not to raise light fleeces, and that he is a lighter man than those who raise heavy fleeces. I don't think it is becoming to make such remarks. I believe the heaviest fleeces from these American merinoes are, in gross weight, from rams, twenty-five to thirty pounds; from ewes, ten to fifteen pounds. Well, out of those rams' fleeces that weigh from twenty-five to thirty pounds, the most cleansed wool that has been got has been some seven or eight pounds. Now, suppose some one else should take it into his head—wisely or unwisely, I don't care—to raise sheep that, instead of yielding fleeces weighing twenty-five or thirty pounds, won't go up above fifteen or twenty pounds, and yet, when cleansed, will yield a little more actual wool than the other; which would be the best sheep?

Mr. D. B. POTTLE, of New York. Mr. President, I rise to a point of order. I call for the reading of the subject under discussion. There must be a limit to this kind of debate. We are not sitting here for the purpose of deciding the merits of the different breeds of sheep raised in Vermont. We have come here for a specific purpose; and, however much I should be gratified in listening to the remarks of the gentleman from Vermont on another occasion—and I certainly should be very much gratified—I cannot think they are pertinent to the object of this convention. If there is anything in the questions submitted by the committee which justifies the debate, I have no objection to its going on; but, if not, I raise the point of order.

The PRESIDENT. The gentleman had commenced speaking on the report of the Business Committee, before the other committee entered the room. I confess I am not particularly acquainted with parliamentary rules, and I am not



prepared instantaneously to decide whether their bringing in that report of him off or not from finishing the remarks which he commenced to make on report of the Business Committee, when he was undoubtedly in order. I would prefer, myself, to waive the question, and allow the gentleman to proceed leaving it to his magnanimity and sense of propriety how far he shall carry the debate outside of the resolutions. Please to proceed, sir.

Mr. CURTIS. It is far from me, sir, to attempt to carry the debate outside the limits of legitimate discussion. I have had no idea of doing so, and it does not seem to me that I have; and I certainly shall try to avoid it.

I was remarking, I think, that we should, in my opinion, have liberty breeders to breed very much as we think judicious; and I would say, in addition to that, that it seems to me that if such a breed of sheep as that to which I have alluded should be raised, it would have a good effect, not only on the interests of the wool-grower, but on the manufacturer, inasmuch as he would not have to purchase so much that is of no advantage to him.

There is another remark that I was going to make, which I hope no gentleman will think is without the legitimate pale of discussion; and that is, that is my opinion, as a breeder of some thirty years' experience, that no species of merino ram ever produced more than twenty pounds gross weight of fleece without excessive feeding or excessive housing; and ewes not over ten or twelve pounds, without unnecessary feeding or unnecessary housing. That being the case, sir—and I express it as my opinion; I don't wish any other man to be converted to it; I say so because I think so—it seems to me more advisable to raise such sheep as can be raised without any unnecessary treatment of that sort. They would yield more wool, and be of more benefit to the manufacturer, and more benefit to the wool-grower, if wool-growing is the legitimate business of the wool-grower; and I take it to be so, and nothing else.

I think, therefore, there may be something still better than the American merino; and while I would give unbounded credit to the man who has made any improvement upon the Spanish merino sheep, as it came to this country, I am not sure that a man might not to-day, if he could find what he was sure was a full-blooded merino, put the improvements upon that sheep himself at much less expense than it would cost to procure one that has been already improved.

I make these remarks from my impressions after thirty years' experience. The gentleman who spoke this morning has not had so much; and yet his superior subtlety and ability to penetrate into the causes of things may enable him to have more information upon the subject than I have, and yet I think I have a right to this opinion. If, sir, I have gone, in these remarks, one step beyond the line of legitimate debate, I hope I shall not be treated as our poor prisoners were when they crossed the "dead line."

Dr. GEORGE B. LORING, of Massachusetts. I do not wish to take up the time of the convention, except in a proper and legitimate way. I can conceive that the remarks of the gentleman from Vermont, as applied to the question as to the relation which exists between the wool-grower and the wool manufacturer, were appropriate on his side of that question; and when it comes again before the convention—as I understand it is now upon the table, pending action upon the resolutions—I should like to have an opportunity to reply.

The PRESIDENT. The question is now upon the resolutions. We will dispose of them first.

Mr. COLBURN, of Vermont. I move their adoption.

Mr. GEORGE GEDDES, of New York. Mr. President: It is said in these resolutions that we furnish seventy per cent. of the wool manufactured in this country. Now, the fact that we do not furnish all that is manufactured proves that there is some lack of inducement to do it; because, if there had been sufficient inducement we should have furnished all along all the manufacturer de-

sired. Now, sir, let me call the attention of this body to the present state of things. Before the war which has lately closed wool was higher in gold than it is now. I speak from my own personal knowledge. I, and my son after me, sold our wools steadily, for eight years in succession previous to the war, for never less than fifty cents a pound; and at no time since the repression of specie payments have we been able to get fifty cents in gold, although I am quite sure our wool has improved very much in quality and condition. Now, sir, the manufacturer of cheese has been able to get a great deal more gold for his product; the raiser of grain in general has been able to get more. The consequence is inevitable, that there is less encouragement for the production of wool than for the production of other farm produce. Farmers are a long-enduring people. It is a fact that women made butter for a shilling a pound for generations, and thought it was a pretty fair price; but there sits a man at the head of that table [X. A. Willard, esq.,] who has proved that the milk to make a pound of butter must have cost all these women got for the butter. I mention this to show how cheap farmers are willing to work. And now, if it was true that we could not make more money, or could not live better by the production of other things than by growing wool, we should grow more wool. The price of meat is inordinately high. Ordinary beef is selling in this market for \$11 a hundred by the side. That is more in gold, a great deal, than we got for beef before the war. Now, sir, we shall surely cut our sheep's throats unless we can get more money for the wool. I say this to these manufacturers. I feel that somebody should say it. I have on my farm—or, rather, my son has—a flock of sheep that are pets of mine. All my active life has been devoted to their improvement. I have held on tenaciously to those sheep. But, sir, it is demonstrable that if my son had, last fall, cut the throats of every one of them and flung them into the manure heap, his hay and straw and corn-stalks would have brought more money in the market than their wool and carcasses would bring to-day.

Now, sir, what is the remedy of the farmer when he finds himself in this condition? It is to give his sheep a bushel of corn apiece, and in sixty days they are fit for the butcher's knife. That is his remedy. It would be most disastrous to the great economical interests of this country if this should be done, for you cannot afford to strike out of existence these fine flocks. I lay it down as a principle, Mr. Chairman, that fine sheep are to be produced in all the country east of the Mississippi river in connexion with the raising of grain. They fit in exceedingly well with a crop of grain. They consume the straw, the corn-stalks, and the refuse fodder that come from the grain crop. They work in exceedingly well with it; but if they work in at a loss, as present prices show, then they won't work in a great while.

Now, I don't say that the manufacturers are to blame that this thing is so. I don't believe they are to blame. I recognize the common interest in this matter perfectly. As a producer of wool, I recognize that I am a partner with my friend Faxon, at Utica, who makes it up. But my part of the labor and his part of the labor are distinct; and it is the common nature of man when he comes to me to trade that he shall buy my wool as cheap as he can, and I shall get as much as I can if I sell it to him; and if this government will permit him to go to Buenos Ayres and buy his wool at a lower rate than I can afford to sell it, he won't buy much of me, unless I sell it at a loss. Now, that is exactly where we stand to-day. We have got scattered through the State of New York some inestimable flocks of sheep. We shall take them to the shambles. No property is converted into money quicker than they are. Six weeks turn an ordinary conditioned merino sheep into good muton. A pound of corn a day will do it. I don't say I shall advise this to be done in our own case. Why? Because, when a man has been almost forty years doing a thing—devoted his life to it, and travelled far and near to learn a little about it—it is hard for him

to give up and say, "I have been at work all my life for naught." rather live on in hopes that some change will take place for the better. How many men, who have flocks of forty, fifty, or a hundred sheep, will in this way: "I will hold on to these sheep; Congress will put a tariff on it; we shall get a fair price for it; and all the wool will be raised in this country that is manufactured here, and a great deal more will be manufactured here; ought to manufacture all the cloth that we wear out?" If we could do better at any other business than we can at raising wool, we should do it; but, I say, the fact looms up that we can do better, and that the great wool-growers will do better.

Now, feeling, as I have no doubt you gentlemen of the manufacturing do, that you must have us raise wool—that it won't do for us to stop wool—here is an inducement for you to help us get a tariff on wool. This is the whole point of my argument. If I have said anything, it has been to reach you, gentlemen, through your pockets, and make you understand you really had better help us. There is no mistake about it.

Now, Mr. President, indulge me in saying that what I believe is fair matter is this, that we should have such protection on our wool as the manufacturer has on his part of the labor. To illustrate: if a yard of cloth here is worth two dollars, and it took one dollar's worth of wool to make one dollar's worth of labor to make it—if the wool came from a foreign country let that dollar's worth of wool that is in it pay just as much duty as the worth of labor that is in it is protected by the duty on foreign cloth. That is fair. And when I say I think it is fair, I say it with this meaning, that our committee go before these gentlemen who are to propose amendments to the tariff law, you manufacturers shall not be sharp and try to get an act that shall give us the appearance of protection, but shall have holes through enough to drive a four-horse wagon-load of wool through. Let us meet on common footing, that, if we work a dollar's worth, it ought to have the same protection that you have when you work a dollar's worth, remember this vast debt upon this country is to be paid. We are here the representatives of the producing interests. We are the producers. Where does wool come from, sir? Why, sir, the labor of man and the fruits of the soil make the ability of a nation to pay its debt. We will meet our share of this debt. I speak for the farmer—with perfect willingness; but we ask that, in order we may do it, we be put upon an equal whillettrees with all other interests. Having used that word, it occurs to me that right here is the simile. I am a legislator of this country, and saw that there was not a sufficient quantity of wool produced to supply the manufacturer, I would say, That end come up; and I would induce that end to come up. I would even cut the whillettrees. And when I found there was more wool produced than the manufacturer would manufacture, I would say, I will bring up that end. In legislation on this subject I would look precisely to this end—that this country should produce all the wool that it wanted.

I don't know but I have said too much and talked too long; but I have given the views and feelings of a farmer.

MR. GEORGE W. BOND, of Massachusetts. I rise to correct a statement the gentleman last up. What he has said in regard to the price of wool during the war, may be his own experience; but it does not apply to wool generally. The Secretary of the Treasury, in his report on the state of the finances for the year 1863, table 39, showed the range of prices in New York, for various articles, for the years 1860, 1861, 1862, and 1863. From that, sir, the following extract was made, to show the comparative prices between the year 1860, before the war, and 1863, after the war. The average advance on gold was 45 per cent. for the year 1863. The advance on wheat flour was 11½ per cent. on the gold price; on corn 20 per cent.; on mess beef 34 per cent.; on butter 15¾ per cent.; on cheese 44¾ per cent.

common wool 81 per cent.; and on merino wool 51 per cent.; thus showing that, with the single exception of common wool, merino wool paid at that time a higher advance than any of these prominent articles of farming products. It is not stated here; but the single article of oats—which, like common wool, was an article of army consumption—advanced 80 per cent. and a fraction. Oats and common wool bore about the same advance.

At that time an effort was made to put a duty upon wool; and I think I can explain satisfactorily to you, sir, and the people present, why no advanced prices have been realized by farmers; for since that time, it is true, they have not received so high a price for their wool as they did previously. The movement of a high tariff on wool stimulated importations to an immense extent, as you will see by the tables of imports; so that, in the year immediately following, we imported 75,000,000 pounds of wool, the importers being anxious to get it in here prior to the time when the new duty, which it was evident must be put upon it, could be imposed. Most of that wool arrived in season; a very considerable quantity of it, however, arrived after the first of July, and went into the bonded warehouses. The bare cost of importing cape wool, with the expenses then arising upon it, was about twenty-three cents, gold. The average sale of cape wool, the first six months of 1864, with a duty of five per cent. upon it, was 28<sup>5</sup>/<sub>100</sub> cents. The average price for the six months after July, when the new tariff went into operation, (the bulk of the wool being held in bond for a long while, and gradually sold out,) was about 24<sup>3</sup>/<sub>100</sub>, or a little less than it brought before the duty was increased, because the market had been fully stocked in anticipation of the duty. The consequence was that American wool had to bear *pro rata* with the other. The large importations, caused by the anticipation of the duty, overstocked the market; and wool manufacturers and wool-growers must find themselves ever amenable to the laws of trade. It is simply to these laws that the fact is due that not one cent has been added to the price of wool in this country in consequence of the added duty, which is equivalent to a few cents per pound on domestic washed wool. Since that time domestic wool is not averaged more for gold than it did before; the best clips bringing only about seventy cents, which has been equivalent to about fifty cents in gold.

Mr. R. G. HAZARD. After the clear and able statement which has just been made by my friend, I do not propose to detain this convention more than a moment upon a similar point.

It so happened that I argued the case of the manufacturers before the Committee of Ways and Means, when the subject of a revision of the tariff was first considered by them. During that discussion the question arose one evening as to whether wool had not risen as much or more than other agricultural articles. The next morning I went to the statistics at the Treasury Department, and I will read a portion of the argument that I addressed to the committee immediately afterwards:

“With regard to the advance on wool, I find, from the official tables, that the average price of sheep-washed fleece wool for seventeen years (1843 to 1859 inclusive) was 35½ cents per pound, and that in 1863 it was 71 cents per pound, or just 100 per cent. advance. That of five other agricultural products, taken at random, viz., wheat, corn, mutton, beef, butter, and cheese, the average advance in 1863 over the average prices of the same seventeen years was only 20½ per cent. But there is another element of advance in domestic fleece wool not taken into account in the tables. At the middle period of the seventeen years the average loss in scouring good medium wool was 35 per cent., and in 1863 this loss had increased to 44 per cent. in the same class of wool, so that, during the average period from 1843 to 1859, the growers sold, on an average, 65 pounds of clean wool for \$35, and in 1863 sold an average of 56 pounds for \$71, making the cost of scoured wool in the former period 55 cents per pound, and in 1863 127 cents per pound; and hence the real advance.

in price, after eliminating the element of grease and dirt, was over 130 per cent. against 20½ per cent. average on five other great agricultural staples; and since 1864, there has been a further advance in these wools of 10 per cent."

Mr. GEDDES. Now, Mr. Chairman, these figures make a very imposing array, and, I have no doubt, are entirely convincing to most of this body; but here stands with me the stubborn fact that, for months and months, we have offered in this market a ton of wool at fifty cents a pound in gold, and could not get it, when we used to get it for years before the war. That stubborn fact stands right out.

Mr. COLBURN, of Vermont. I have moved the adoption of these resolutions as a whole because I think they breathe the spirit of good will and harmony between the wool-grower and manufacturer. There is the word "equality" there, which I rely upon vastly. The manufacturer has said, in these resolutions, that he is perfectly willing the wool-grower should be protected equally with him, and that is all we ask. Now, sir, if the manufacturers are ready to carry that out, I am sure they will find the wool-growers ready to come in and act with them; but if they undertake to tell us that we now stand upon an equality with them, it will be up-hill business for them to make us believe it. In the town where I reside, which is eminently a wool-growing town, there is now more wool than was clipped there this year. We have to pay pretty dear there for our labor. Thirty dollars a month for the season, two dollars a day, if we hire by the day, two dollars and a half and three dollars during haying; and we cannot grow wool, as my friend Mr. Geddes says, at present prices, and live by it; it is totally impossible. However these other agricultural articles that have been referred to have paid in 1864, or some time ago, they are now paying vastly beyond wool. Butter, cheese, pork, beef—everything—is paying vastly beyond wool.

Well, sir, as I said before, we would like an equality of protection with the manufacturers of wool. Have we got it now? I don't know that I understand exactly what the provisions of the tariff are now, but I have learned one fact from a New York merchant since I came here that speaks volumes. He says that the duties on the quantity of Buenos Ayres wool which will make a yard of cloth are ten and a half cents, while the duties on a yard of foreign cloth, manufactured from precisely that kind of wool, are fifty-five and a half cents. There is a difference of forty-five cents betwixt the wool that goes into that cloth manufactured here and the foreign article. What kind of equality is that, sir? Well, sir, it is a kind of equality that the wool-growers can't stand, any way.

Now, I don't blame the manufacturers for all this. Human nature is human nature, the world over. If they can get a tariff playing into their hands in this way, without any effort on their part, it is natural they should take it. They will buy their wool where they can buy the cheapest; and we would do the same, were we manufacturers. They are not to blame for it; but the American wool-growers have been to blame, for they have never attended to their own interests when there was to be a revision of the tariff. And the reason is obvious. They are scattered all over God's creation, you might say: a great many of them are small growers, and they don't want to be taxed to send a delegation to Washington to attend to their interests; and so the thing has gone on as it has. It is perfectly natural that the manufacturers—and they are the smartest men in the United States—should look to their own interests when there is to be a revision of the tariff; it is not natural that they should look to the interests of the wool-grower, or feel very tender as to the amount of benefit the wool-grower was to receive. They look to their own interests; and we have suffered because we have not attended to our own interests, and had nobody to do it for us.

Well, now we are here to try the experiment, for the first time, of bringing the wool-growers and manufacturers together, to see if they cannot make their

interest mutual; and I really hope we shall succeed, after all. I have had some little doubt about it; but I feel stronger since these resolutions have come in, and have conceded equality.

It is a fact that we imported about a third part of the wool worked up last year. Now, why was that so? It was either because there was not wool enough grown in this country, or because the manufacturers could buy it cheaper of the foreigner. I believe that the last reason was the predominant one. They bought more wool of the foreigner because they could buy it cheaper than at home, than because it was not to be had here. Now, I believe it would be a grand thing if we could go on hand in hand, and get an amount of protection at this country, both for wool and woollens, that would become gradually, say in ten years, totally prohibitory. Let us clothe ourselves as well as feed ourselves. We can do it. If I were a member of Congress, I would exert what little influence I could get there to make a tariff that should become, in the end, entirely prohibitory upon wools of all kinds and woollen goods.

Some will say, "Then you are going to oppress the poor. You are going to make clothing so dear that the poor man cannot clothe his family at all." Well, what string has been harped upon in this country, for political purposes, a good many years. Oppress the poor man! When the government is ready to give him one hundred and ten acres of land if he can pay ten dollars, if he finds that he can't get sufficient wages to support his family, won't he take up that land, and become a farmer? It is all moonshine to talk about oppressing the poor in this country! There is no country on the face of God's earth where the people are so well off as in this country. We cannot oppress the poor by a high tariff, or anything of the kind.

I do not wish, sir, to say a great deal on this subject; but I do hope we shall go along in good faith—we, the wool-growers and wool manufacturers—and get this equal protection. I am from the State that Mr. Morrill represents, and I had a talk with him about the tariff of 1857. I told him that tariff did not afford sufficient protection to the wool-grower. "Well," said he, "blame yourselves for it. Why didn't you get your statistics, and come to Washington and show them to us? The manufacturers were there in their strength. They showed us these things, and they had their influence there; and you wool-growers ought to have been there." That is a fact. Mr. Morrill is an honest man; he means to do right, and means to treat all interests justly; but he was mistaken in getting up that tariff. He didn't understand the interests of the wool-grower. I think he is disposed to try to understand them; and, as he is now at the head of the Committee of Ways and Means, it is of the highest importance that we make him understand them, so that, if we get a revision of his tariff, we may get something that will approximate, at least, to equality.

We have had a tariff where the wool-grower was equally protected with the manufacturer. I think the tariff of 1828 gave the wool-grower equal protection with the manufacturer. I think the tariff of 1846, miserable as it was for both interests, protected the wool-grower equally with the manufacturer. But, generally speaking, all these tariffs have been one-sided things; they have operated mostly more to protect the manufacturer than the wool-grower. Still, the manufacturers seem to think—at least, they claim—that, if they can be sufficiently protected, the wool-grower certainly must be; that the protection extended to them will reach, through them, to the wool-grower. Well, there is something in that. If you can make manufactures flourish in this country, the manufacturers will be the more ready to buy wool, and they must pay whatever the market value is. But, if they can buy it threepence a pound cheaper of the foreigner, they certainly will buy it of him; and we cannot blame them for it. If we can put on a duty that will prevent importations, it is certain that we can grow all that is required here. We can grow any amount here, if we can only have the business remunerative. There is no doubt upon that subject.

Mr. GEO. W. BOND, of Massachusetts. The impression may have been taken, from what I have said, that the wool-growers were to reap no benefit from the increased duty on wool. I said that, under the laws of trade, they were reaping the results of over-importation. The imports have fallen off about forty per cent. this year. These importations resulted in a severe loss.

Mr. GEDDES. And our prices falling !

Mr. BOND. Yes, sir ; because, under the pressure caused by the anticipation of a high tariff to come, enough wool was imported to supply the market a long while ahead. The wool that is to be imported now will only come in case it will pay its costs, with the duties added. Consequently you will reap the benefit of the advanced duty over and above the cost abroad ; though that cost will be affected somewhat by the value here, and by the withdrawal of American competition in the foreign producing markets.

Mr. R. M. MONTGOMERY, of Ohio. With all due deference to the gentlemen who have spoken on this subject, and with all due diffidence in regard to my own ability, I wish to say to you, sir, and to this convention, that I am fearful this debate is taking an unprofitable and unhappy turn. And I want to remark, also, that much that has been said is clearly out of order, because the question before the convention is simply this : Are we ready to pass the resolutions saying that we are in favor of an equality of protection as between these two interests, and equality as between us and the other interests of our country ? The question is not whether wool pays as much as it ought to, nor whether we farmers work for nothing and find ourselves ; but, whether we are ready to come together on this common ground of equality among ourselves and equal rights with others. It seems to me that these remarks about prices and duties are unfortunate at this time, because this court has no jurisdiction. When our committees go before the Revenue Commission, or before the committee of Congress, or before Congress itself, there is the place to bring forth these statistics, in better form and more accurately than we are able to present them now, and with more effect. We, as producers, are very free to admit that we are not informed what protection we have had, or have not had, or ought to have. We are seeking information.

Permit me to hope, then, that the discussions of this meeting may take some other turn ; that we may agree upon the question whether we will or will not favor equal protection, equal rights, before the legislature ; and then let us turn to some other topic, the discussion of which we can make of practical advantage. For instance, let us avoid the question whether a ram will grow twenty or twenty-seven pounds of wool, or whether it will grow that being well-fed or ill-fed, kept in the house or out of doors ; and turn our attention to such questions as these, (and perhaps these would be more appropriate for a wool-growers' convention than for this meeting,) whether the common wools are produced in superabundance, and whether the finer or coarser wool (what is usually termed the combing-wool) is the more desirable. Perhaps, too, it would be well for us western people to learn the names of the various kinds of wool, that we may know what we are talking about hereafter.

Another thing occurs to me that would be of value to us wool-growers, and perhaps to the manufacturers also. I have been informed that much wool, good as it may be when it comes from the sheep, is absolutely spoiled for certain purposes by the kind of twine that it is tied up with ; it will not take color. There are abuses of this sort that are prejudicial to our interests. Let us have those abuses pointed out ; let us agree upon equality, enjoy each other's acquaintance, shake hands and go home, and come together some other time and have another good meeting.

Mr. H. BLANCHARD, of Connecticut. I most cordially concur in the remarks of the gentleman who has just addressed the convention. I do not rise to discuss the relative merits of the tariff, as affecting the wool-growers and wool manufacturers. I believe that that subject will be more properly disposed of

y placing it in the hands of a judicious, intelligent, and capable committee. The inquiries which have been sent forth by the Wool Manufacturers' Association to gather information upon this subject are ample to cover all those points that seem to disturb a little—and I do not wonder at it—the minds of some of my wool-growing friends. If the Wool Manufacturers' Association and the Wool-growers' Association shall be able intelligently to answer the questions proposed, I think they will be better able to act understandingly on this whole subject. Therefore, while replies might be made to many of the remarks that have been offered, I don't think it worth while to occupy the time of this convention in meeting points which to us seem very trivial.

Mr. E. B. POTTLE, of New York. I desire to say, in behalf of the committee who reported the resolutions now under discussion, that they reported them with the general expectation that we were entering upon a new era, so far as regards these two great interests, the wool-manufacturing and wool-producing interests; and I think I may add, that the general feeling all round the committee-room was, that bygones should be bygones. The past cannot be recalled; and whether the present tariff bears equally upon these two great interests or not, is a matter which cannot be determined by a resolution, however carefully drawn. But we can agree upon certain principles—upon a common platform, where we can all stand; and on that common platform we can commence that work which we believe will be not only for our mutual interest, but for the benefit of all the interests of the country. That was the theory upon which we prepared these resolutions.

Now, sir, if it were politic to devote the balance of this convention to the discussion of the question with our manufacturing friends here as to whether the tariff of 1857, with all the addenda that have been made to it, bears equally upon these great interests, I have some facts, the recital of which would occupy more time than you would care to devote to it; and doubtless others here have facts of the same character. I think a comparison of views upon that question would hardly leave a single manufacturer willing to rise in his place, and say, upon his honor, that an examination of this question left the impression upon his mind that the producer of wool has been protected by the laws of the country to the same extent that the manufacturers have been. But I have no wish to discuss this question. I wish, with my friend from Ohio, to turn this debate aside from these questions which are calculated to produce friction between these two interests.

There can be no question—it does not argue common sense in any man to get up and maintain the contrary, upon the great principles of political economy; there can be no question, I say, that it is best for any country under heaven to produce the articles it manufactures, and manufacture the articles it produces, as far as possible. Any government that is a buyer of the products of a foreign government, when it can produce those articles itself, must of necessity be engaged in a miserable business to the extent which it does it. As has been said by the friend who preceded me, the true wealth of a nation depends upon the products of the soil, and the labor that is bestowed in fitting those products for the use of man; and every dollar which we pay to encourage the labor of other countries, to stimulate the production of other countries, is so much taken from our own, and so much taken from the actual wealth of the country. Hence it should not be surprising that we, who claim to be at least possessed of common sense, representing these two interests, the wool-growing and wool-manufacturing interests of the country, should come here prepared to lay down, in the form of resolutions, a platform affirming simply the fact of the mutuality of these two great interests; that, looked at from a proper stand-point—looked at from the stand-point which every good citizen should occupy, a stand-point which compels him to ask not only for that which is best for him, but which is best for the whole country—looked at from that stand-point, I say, no other conclu-



sion could be come to than that which we have put forth in these resolutions; that is, that the interests of the manufacturer and the interests of the producer are but one great mutuality, and whenever one is unduly elevated at the expense of the other, the country suffers.

Looking this question square in the face, we have concluded, as I said before, to let bygones be bygones. There has been wrestling and struggling between the respective interests that are represented here, as there has been wrestling and struggling between other interests; and it must have been of great damage to some of those interests, and of great detriment to the prosperity of the country at large. It cannot be helped that it has been so. As I said before, we cannot recall the past, but we can make provision for the future; and that is all that men can ever do. Are we willing to do it? Are we, as practical men, representing two great interests of this country—the greatest in magnitude of all the widespread and varied interests of this immense country—are we willing to do that which we are ready to acknowledge is for the best interests of the whole country? We have said, in these resolutions, that we are. Now, is it to be presumed that we have said more or less than we mean? If we mean just what we have said in regard to the matter, then what hinders? Certainly, Congress will not set itself up in opposition to the wishes of these two great interests. There can be no motive in the breast of any member of Congress to lead him to protect and encourage one of these interests at the expense of the other. There can be no reluctance on the part of any member of Congress, or of any branch of the government, to permit us to carry out in practical operation just what we have said. Well, then, what hinders? Nothing whatever, unless it may be lack of sincerity on our part. Is any gentleman ready to assume that we have come here with the purpose of engaging in a species of double-dealing—of making professions to the ear which we do not mean to carry out? I will not accept any such insinuation. I think I may say with truth, for every member of the committee, that what we said in those resolutions we meant; and unless they are carried out in the spirit in which they were drawn, and in furtherance of the purpose they have in view, no set of men will be more disappointed, surprised, humiliated, and ashamed, I may say, than the members of the committee who have placed those resolutions before you. You must take those resolutions upon the faith that we are men of honor, and mean what we say; that we expect, in very truth, in the language of one of these resolutions, that it shall be the duty and purpose of these two great national associations—the Wool-growers' Association and the Wool Manufacturers' Association—to see to it that through the revenue commission, and through the Committee of Ways and Means, all the steps are taken that are needful to lay before Congress those facts which are necessary to carry out all the provisions of these resolutions, in the spirit in which they have been offered, and to procure such legislation, at the suggestion of both these great interests, knocking at the doors of Congress, and asking to be heard in relation to this mutual agreement and understanding, as shall promote the future prosperity of these two great interests.

Now, if I am correct in regard to that—if that is the expectation of our friends who came here to represent the wool-manufacturing interests of the country—if that is the expectation of our friends who come here to represent the wool-growing interests of the country, why should we differ about the past? Why should we tread upon the old lava that has been burning us up for the last quarter of a century in this country? Why, sir, I think that American industry and enterprise, with that tenacity which my friend (Mr. Geddes) speaks of, which leads Yankee women to make butter at a shilling a pound, even at a loss, if they can get no more—the never-give-up, never-say-die determination of our country—I think would have triumphed over all obstacles—over the pauper labor and aggregated wealth of other countries, over all the obstructions which we have seen placed in our way, if it had been let alone and allowed to have scope; but it has

not been. The unmistakable curse of this country, ever since I have had anything to do with public life, has been the continual freezing and thawing of the body politic. A tariff this year, and all the energies of the country turned to adapting its industry to it, and altered the next year; and then, when we got a title used to the grooves, altered again. This alternate freezing and thawing destroyed the accumulated wealth of those who had based their hopes upon the legislation of the country. This has been going on for years, and has been owing to the fact of the refusal to recognize the mutuality of the great interests of the country, and to provide that kind of legislation which would put them upon a common platform, where all alike could be prosperous. The refusal to recognize this mutuality of interest has led to this continually changing and shifting legislation, until no business man, when he went to bed at night, while Congress was in session, has known whether he would wake up a rich man or poor man; and men have been disposed to turn up their eyes and say, menially, at least, "Thank God!" when they heard that Congress had adjourned. This was not because of any lack of confidence in the members of Congress; it was not because they were thought venal, or foolish, or weak, or anything of that kind; it was because of this vicious American system, of one interest struggling against another interest, which keeps them rolling and tumbling one over another—this up to-day and down to-morrow, and this down to-day and up to-morrow. Now, that can be obviated in only one way, and that is by the other great interests of the country following the example which we are trying to set them to-day; that is, to step forth in the spirit of manhood and patriotism, and say, "We will establish a great American system, which shall be known and recognized throughout the world; for no country is so worthy of our care as our own country, and no interests so need to be protected as the interests of American citizens and of American industry." That is the feeling we should have, and that is the spirit in which we should act.

This debt of four thousand millions, more or less, of which some of our friends have spoken—it is a large amount of money, but a very small price to pay for the advantages we have gained; perhaps the best bargain we ever made in this country, sharp as we are as Yankees. But that debt will vanish, it will cease even to be a bugbear upon exciting electioneering occasions, as soon as we can act upon the great principle, that the immense resources of this country are to be used for the benefit of these United States. Just recognize that fact; just start with that proposition, that, instead of enriching half Europe by the products of American industry, you intend to enrich your own country; to make us as independent in time of peace as it has been in time of war; to make itself reliant, and we need have no apprehensions in regard to our debt. Let the world know that we cannot only carry on a war costing thousands of millions of dollars, without applying to any prince or potentate or government under heaven for the loan of a dollar, relying chiefly upon our own resources, but that we mean, by encouraging the productions of our own country, so vast in extent and variety, to be able to stand up independent of all the world, without shivering, even though non-intercourse should be declared with every nation under heaven for the next eighteen months. When we have reached that point, Mr. President, we shall be truly Americanized, and not until then. When we shall have reached that point, there will be stability in our legislation, and not until then. When we make up our minds to take care of ourselves, recognizing the oneness of the American people, then there will be stability in our legislation, and not until then. So long as there is a scramble to elevate one interest over another, so long as an eagerness to take advantage of the market of this European country, or that shall occupy the attention of the business men of this country, so long we shall have unstable legislation consequent upon this shifting policy.

Now, sir, are we prepared to come upon this common ground? Are we pre-

pared to recognize the great fact, that the wealth of a nation is its own resources; that the honor of a nation is its own safest reliance; that the manhood of a nation depends upon standing up squarely on its own foundations, and asking nothing from all the world besides? If we are prepared for this, we are prepared for these resolutions. If we are not prepared for this—if, after all this fair talk, after whispering in each other's ears that we have come ~~up~~ to this millennium of good feeling, where all interests shall be alike protected and fostered, we must go back to the shambles and scramble for the advancement of one interest at the expense of the others—then our time is lost time. But if we mean what we have said, the time is not far distant when every other of the industrial interests of the country, not represented here, will thank us from the very bottom of their hearts for having inaugurated this epoch of mutuality among the great interests of America.

The PRESIDENT. The debate has taken a somewhat wide range. I think there has been a little misapprehension on the subject. We have really two reports before us, and under one some gentlemen have discussed the other. I have no doubt that when we come to a vote it will be unanimously in favor of these resolutions. I do not believe any gentleman here has spoken with any view to oppose these resolutions, or intends to oppose them. When a free interchange of views was invited, and the business committee, headed by the honorable gentleman from Rhode Island, (Mr. Hazard,) brought in the topics for discussion, our friends here, with a little want of parliamentary knowledge, have been discussing these topics under the resolutions; that is all.

The question was called for on the adoption of the resolutions, and they were passed unanimously.

The PRESIDENT. Gentlemen, the business now before the convention is the report of the business committee; and there are some explanations that can be made here by the manufacturers, and possibly some by the producers, that will be productive of a great deal of good. I trust that we shall not, now that the resolutions are passed, immediately break up. I see before me gentlemen who were manufacturers before some of us were born, and are still manufacturing. Let those men who have grown gray in this business tell us something about it. We are ready to listen. And if they want to press a little pointedly upon us, let them do it; our skins are not thin any more than theirs are. Let us discuss this matter freely and pointedly, if you please, but without asperity.

I wish to ask these gentlemen if they intend to keep up the one-third shrinkage rule. If they do, I give them notice we will have a debate on it.

Mr. GEORGE KELLOGG, of Connecticut. I am no public speaker, but I wish to say this upon the subject of the one-third shrinkage rule. I have been a buyer in the market these forty years, and I have never bought on any other principle than to examine the condition and quality of the wool, and pay what I thought I could afford to pay for it. I have sometimes taken the unwashed wool in a lot one-quarter off, sometimes one-third off, and sometimes one-half off. I have never known there was any one-third rule on the subject. If I find two or three fleeces of unwashed wool in a lot of washed wool, I throw them out, and take one-third; I can't afford to stand and talk about it a great while, if I am making a large trade. But my principle always has been to pay for the wool what I judged it to be worth from its appearance and condition.

There is one other subject upon which I would like to occupy the time of the convention for a moment. A great deal has been said here about the relative position of wool manufacturers and wool-growers. It has been said that the farmers are a long-suffering people. I have been a farmer myself, and raised some wool and sold it, before I went to manufacturing. But I wish to say that since I have been in the manufacturing business—forty odd years—almost all the men who have been in that business have broken down in it. I wish to say from the experience I have had, and from what I have seen, that

the wool-growers have had the best end, and the manufacturers have had the worst end. I have lived to see more than one-half, I believe more than two-thirds of the men who, up to within a few years, went into the business break down and fail. I don't mention this by way of complaint; it has been the effect of the unsteady legislation of this country. When we got used to a tariff, that tariff was changed, and we had to get used to another. Any intelligent man—I don't care if he is a wool-grower—who is able to look back on the last forty years, must be satisfied that the manufacturers have had the hardest end. I have nothing further to say on the subject.

The PRESIDENT, (Mr. E. B. Bigelow, of Massachusetts, in the chair.) I wish to say, in regard to the one-third shrinkage rule, that I verily believe there has been a great deal done by wool-buyers that the manufacturers are not responsible for. I have no doubt the gentleman who last spoke has acted on the rule that he mentioned, and probably others have done so, perhaps half of them, perhaps nearly all. But none the less is it true, that the men who go round the country buying up wool insist on that rule. I imagine that the manner of buying wool is the cause of a great deal of the difficulty between the manufacturers and producers. You, gentlemen manufacturers, know your business a great deal better than I, or any of us, can tell you; but I would like to ask why, when there is a great staple brought into the market, varying considerably in value, you don't send competent men to buy that staple. I want to know why you allow it to be bought up on commission. I have been thirty years and upwards raising wool; and it is absolutely true, as the gentleman from Vermont has said, that the manufacturers have been paying a premium upon dirty wool. Occasionally a manufacturer sends an agent who is an intelligent buyer, and is used to it; and he buys discreetly and makes discriminations.

But, generally, it is not so. Just as soon as the clip is off, half a dozen men are round buying wool on commission (I don't know who sets them at work, whether the manufacturer or the merchant;) and I suppose the more they buy, the better they are paid. These men insist on that rule, and we have suffered from the effects of it; and, consequently, as we have got to have one-third taken off if we don't wash, we want to put in at least one-third grease, and we ought to do it. If you require that we shall sacrifice one-third on every pound of wool because it is greasy, it is certainly our business and our right to supply you with that grease.

Mr. C. H. ADAMS, of New York. Why should there be any unwashed wool sold?

The PRESIDENT. In the first place, wool keeps better that is unwashed; it receives dyes better; works better; and there is no reason on earth why we should be told that we should wash it, unless we choose to do so.

Mr. ADAMS. We don't tell you so. We simply say that you bring it part washed and part unwashed. Why shouldn't you bring it all washed?

The PRESIDENT. Because it suits our interest or convenience not to do so. Here are men from the hills and valleys of Vermont, where the snows lie late, and the mountain streams are cold far into the spring; and they don't wish to wash, because, if they do, they cannot get their wool to market in time. Here are men from the plains of Illinois, who can wash in good time, and they do wash. Have you any right to insist that these Vermont men shall wash, when there is a good reason why they should not wash, merely because men who can wash as well as not do so? Your interests do not suffer. If they did, then there would be some propriety in your complaining. But I say, and I call upon the most experienced gentlemen who are sitting in this body before me, I call upon Mr. Hazard, one of the most experienced manufacturers in the United States, to say if I am not right; I say that wool keeps better in the grease than where it is washed; and, when scoured, it works better, and takes dyes better. If a man living on the plains of Illinois or Indiana or Ohio, or

in any other section of the country where the streams are warm early, chooses to wash, because he does not choose to pay for the transportation of dirt and grease, there is no reason why he shouldn't do it; and it is mere caprice to say that he ought not to do it. And if a man lives up in Vermont, or on the highlands of New York, eleven, twelve, or thirteen hundred feet above the level of the sea, where the streams are cold late, and where it is the first of July before he can wash his sheep, why should he not be allowed to send his wool to market unwashed, so long as he don't injure your interests?

I come now to the question of the justice of the one-third shrinking rule. I say I have demonstrated, hastily, that we have a right to market the wool in either condition; and that the manufacturers ought not, as a matter of propriety, to attempt to dictate to us, as long as we don't injure their interests by taking either course. Now, here is an arbitrary rule laid down, that, if I don't wash my sheep, the wool shall be subject to a deduction of one-third from the price of washed wool. Does the butter dealer, when he goes into the market to buy butter, and puts his butter-trier into a firkin, and finds it not exactly in the best marketable condition, insist that the owner shall submit to a deduction of one-third; and then, when he tries another lot, and finds it not suitable for the table, only fit for grease, say that too shall be subject to a deduction of one-third? Would any butter dealer attempt to buy butter on any such rule? Take the case of wheat. Here are two men who present two samples of it. The buyer examines one sample, and judges there is a pint of foul seed to the bushel. Well, he deducts from the market value of the good article what he ought to deduct for that pint of foul seed per bushel. In the next wagon, he finds wheat that has four quarts of foul seed per bushel. Now, I ask you how it would look in the market of Syracuse, if some one should come along and say, in such a case, "It isn't all good wheat, and you must each submit to one uniform rule of deduction; you must each submit to a deduction of one-third."

I am taking it for granted that I am addressing intelligent men who are ready to hear these things called by their right names; and I undertake to say there is no other article in the purchase of which the buyer attempts to dictate in that way, and to say that, in case it is not in a certain condition, a fixed rule of shrinkage shall be applied. I contend that the manufacturers injure their own interests by this course. The wool-growers have got so now that they don't sell to the experienced agent; they leave the grease in and wait till the raw buyer comes along. If they see a man whom they know to be a judge, they will hardly take the trouble to show him their wool; they are busy; they don't care whether he looks at it or not. Why? Because they have not fitted it to sell to him; they have washed it poorly. By and by a man comes along who is buying wool on commission; he knows but little about it, and they sell their wool to him; and, if he makes two or three cents on a pound, he does better than the average in such cases. I say that I can, next spring, if I choose, (and no man can convince me of the contrary, because I have seen it for years,) give my sheep a mere dip in the water, or drive them through the stream, and then, when the buyer asks me, "Is that washed wool?" look him in the face and say, "Yes, sir," and the trade is consummated. Whereas, here is another man who does not wash, but his wool has been exposed to the rains of heaven all the year round, while in the other case the sheep have been housed, so that the fleeces are fifty, sixty, or seventy-five per cent. yolk; yet he must submit to the deduction. I think this has produced more irritation between the two classes than any other one thing. I have no doubt that this national convention will recommend a different course; and when that is done it will remove one of the strongest causes of discontent. There are men all about—some, perhaps, in this room; but thousands, I know, not in this room—to whom this is a constant source of irritation.

Dr. GEORGE B. LORING, of Massachusetts. I wish to make an inquiry; but

before doing so I desire to say, that having lost the chance, through the ruling of the chairman, to make the little reply which I was prepared to make to the gentleman from Vermont, [Mr. Cutts,] I would simply state to those gentlemen present who have not heard the discussion before, that that speech has been replied to once before by myself in New England, and several times by gentlemen from Vermont in the newspapers—that identical speech. When I hear a son of Vermont assailing what has become, at last, one of the great interests of that State, I can only say, as Mr. Webster did, in concluding his great Dartmouth College argument, when he paused, and turning to the supreme bench, said, "This may be a light matter for you, gentlemen, but there are those of us who have an affection for that old place, and it may turn upon us, like Cæsar upon Brutus in the senate-house, *et tu quoque, mi fili*—'And thou too, my son!'" This is from Vermont, and there we leave it.

Now we will come back to the question. I want to know if the manufacturers prefer to have the wool washed. Many of them have said to me that they did not like this practice of purchasing washed wool, but would prefer to have a rule adopted by which all wool should be sold unwashed. I think a suggestion in regard to this matter might come from this meeting that would be very useful not only to wool-producers but to wool-buyers hereafter. Is there any special advantage to the manufacturer in purchasing washed wool?

MR. N. KINGSBURY, of Connecticut. I can only answer the question for myself, and I will attempt to do so in the course of the remarks which I propose to make, which will be very brief. I have a few things which I would like to say, beginning with the one-third rule.

I must confess that I was not acquainted with the fact that there was any dissatisfaction with the one-third rule until within a short time—three months ago, perhaps. As a manufacturer, purchasing wool for the last thirty years, I have made no arbitrary rule of that kind, nor practiced upon any arbitrary rule of that kind. It has been our custom, when purchasing a lot of wool containing, perhaps, fifteen, twenty, or thirty thousand pounds, if there were a few fleeces unwashed, to throw them out in a pile, and for the producer to say, "I want you to take that little pile of one hundred or two hundred pounds of unwashed wool with the other." "Very well; you may put it in;" and the suggestion has almost always come from the seller, "I will put it in at one-third less." I know not how a rule of this kind originated, nor do I know how extensively it has been practiced. The chairman has said that it is practiced, and of course I do not doubt his word on that subject. If it originated with the manufacturer, I think it must have been in this wise. Many years ago, when it was customary for washed wool to shrink from thirty to thirty-three per cent., unwashed wool, at one-third off, would average about the same price as washed wool. That was a very fair statement of the difference between washed and unwashed wool. I am not aware, however, that any rule like this originated from that source. But I do know this, that in purchasing wool of late years the manufacturer's cry has been, "How much clean wool can I get?" I think that question is much more frequently put now than it was a few years ago; because, when manufacturing commenced in this country, and we were struggling along, we did not keep our accounts as accurately as we keep them now. We did not go into all the details and statistics of the manufacture as we do now. It has now become a complete system, to every detail of which we give great attention; so much so, that we are able to tell you, in many of our manufacturing establishments, precisely the shrinkage on every single lot of wool which we purchase, be it washed or unwashed. We are able to tell you precisely how much clean wool we get out of every lot we purchase during the year, and then we are able to go on and tell you precisely how much clean wool it has taken to make a yard of goods; and how much wool, as it was purchased, in its washed or unwashed state. All the details of the business are followed out very closely at the present time.

Now, I have often purchased unwashed wool, and I have always (except in the cases to which I have referred, where I have bought a little parcel of unwashed wool with a lot of washed wool) paid for that wool what it was worth in my judgment. I have estimated in my own mind the shrinkage of that wool, or the amount of clean wool it would produce, to see how much it was worth, compared with washed wool. I admit that at present there is a great difference in the shrinkage of what is called washed wool—a very great difference from what there was twenty or twenty-five years ago. I know that some years our wool has shrunk not less than forty or forty-four and a half per cent.—making a proper allowance for the unwashed wool which may have been purchased, so as to bring it exactly in comparison with the other. If we were now to go into the purchase of unwashed wool, making in all cases a deduction of one-third, I admit that the unwashed wool would be cheaper than the washed wool. (When I speak of “washed wool,” I speak of wool which is called “washed,” but which really is not washed wool.) So far as I am concerned, I think I should be entirely satisfied to have all the wool of this country sheared in its unwashed state, and brought to market. I would like, however, to have some little improvement made in the manner of doing up the wool. I presume to say that this intelligent body of wool-growers do not know—they certainly cannot know—the damage they do to every fleece of wool which they tie up with hemp twine. I tell you it is utterly impossible to manufacture a piece of indigo-blue cloth from wool which we purchase of you tied up in twine or in hemp string. We cannot do it without using another dye besides the indigo blue, and to cover up the imperfections occasioned by those strings. We cannot make a piece of bright, handsome, black broadcloth, out of wool tied up in your hemp strings. There should never be one particle of hemp string, or any other kind of string from which a fibre can come, put round a fleece of wool. It is ruinous, and will become even more and more so, as the manufacturers go more and more into the manufacture of fabrics of plain colors, which require an even, handsome finish.

A DELEGATE. What would you suggest?

Mr. KINGSBURY. If tied up with any string, it should always be a woollen string, and the string should compare somewhat in fineness with the fineness of the wool.

Mr. POTTLE. Will the manufacturers send us out such an article for that use? If you will manufacture it, and send it out, see if we don't send you our wool tied up with such strings.

Mr. KINGSBURY. Create the demand for it, and we will send you the strings.

Mr. POTTLE. We create it now.

Mr. KINGSBURY. Say you will adopt them, and we will send you the strings; we can make them.

Mr. POTTLE. We pledge ourselves to use them; only we shall want you to discriminate between wool that is tied up with that kind of string, and wool that is tied up with hemp strings.

A DELEGATE. In sacking the wool, would it not be necessary to use woollen sacking?

Mr. KINGSBURY. We receive damage from the sacking, as well as from the strings, but not to the same extent. I think we could get along with the fibres which come off of the hemp sacking, although we have considered a smooth cotton sacking much better than hemp sacking. In regard to the strings, I hope we shall, in a very few years, create a public sentiment so strong, that not a soul of you will be able to sell a fleece of wool tied up with hemp strings.

Then there is another thing which I want to say in regard to this matter of strings. I believe there is a gentleman here who took off from one single fleece *seven ounces of string!* When we have sorted a lot of wool, we always find a great pile of string, for which we have paid from sixty-six up to seventy-five and eighty cents a pound. We are able to sell it for about three or four cents a

und, so that it is nearly a dead loss to us. In Germany, I believe, no string ever put on the wool; that is, I have never seen any wool imported from Germany that had strings round it.

Mr. POTTLE. I want to state the simple fact, that, for twenty years—the length of time that I have had my eyes upon this business—I have never known any complaint because of the kind of string we have used. The wool-growers we tied up their wool with these strings without knowing that there was any ash on the part of the manufacturers that they should use anything else. I say in justification of the wool-growers. As to the man who put seven ounces string round a single fleece, of course I have nothing to say in his defence. He was simply a scoundrel.

Mr. KINGSBURY. I am not at all casting reflections upon the wool-growers for putting hemp string on their wool. It has been the custom, and we have not felt the damage that it has been to us until quite recently; and we have had no opportunity to state the facts to the wool-growers. This afternoon they have asked us to make any suggestions that would be for our mutual advantage, in plain English, that all can understand; and, therefore, I am making them in that way. I have said nearly all I have to say upon the subject. I conceive to be one of the advantages of our coming together here, that we can talk over these matters, and that will have a tendency, of course, to rectify all these mistakes; and if we could come together and see each other every year, or once two or three years, and talk over some of these subjects which we feel aggrieved about, I think great good would result. For instance, it has been said to us who are manufacturers, “You make most wretched work in the purchase of wool.” Well, we are aware of that, gentlemen. You ask us why we don’t send out competent men to purchase our wool. I will tell you. It is because we are not able to procure our wool in that way, as wool is now purchased in the United States of America. There is no country in the world, that I know of, where wool is purchased as it is here. How is it? Suppose, just after shearing, we start some competent man to go through the wool-growing States and purchase wool, a man competent to judge of the value of washed and unwashed wool. What is the result? He goes out among you wool-growers and commences to buy, and at once you are surrounded by buyers. Every man in town is a wool-purchaser. Every merchant is a buyer, and every man who has got a little wool wants to get a little more. The object is to speculate in wool, and the whole clip is swept off in two or three days—bought up by farmers, blacksmiths, shoemakers, merchants, and every class in the community; and the poor manufacturer, who sent his agent out there at considerable expense, has been able to pick up a few lots that will afford hardly profit enough to pay expenses. We cannot purchase wool in that way, so long as everybody is to be wool-buyer. We cannot afford to send out agents under such circumstances; and you must all know that this is the case, to a greater or less extent, in every place.

Mr. POTTLE. Is not the remedy in your own hands? If the manufacturers could at once say, “We won’t buy these lots of wool, picked up by blacksmiths and blackguards and merchants—these men of whom we know nothing—how long would they come into the market?”

Mr. KINGSBURY. There you have got us. We cannot do it. We want wool; we must have wool. You don’t produce any surplus, certainly. You only produce seventy per cent. of what we want; and we must take the wool, whether well bought or poorly bought. Wool we must have, or the machinery of the country must stop. We are compelled to submit to a great many of these things, such as wool tied up with large strings, dirty wool, and greasy wool, because we must have the wool.

Mr. POTTLE. There is not one man in a hundred who goes round picking up wool who is able to hold it thirty days. Now, if you say you will only take



that wool at a lower price than was paid by these men, how long will this state of things continue?

Mr. KINGSBURY. Then competition comes in; somebody else will offer more than we do. It is a thing the manufacturer cannot regulate. We understand it; we know that the wool is not bought judiciously, or as we would like to have it bought; but it is bought as it is bought, and we cannot help it. All these things may be remedied by future action on the part of the wool-growers and manufacturers.

I have already occupied more time than I ought, and I will make but one remark further, and that is, that, for one, I am rejoiced to find myself here face to face with the wool-growers of the country; and I rejoice to give to you, the wool-growers of the country, my pledge, that, in time to come, we, the manufacturers, will feel that our interests are mutual, and that we cannot sustain the one without sustaining the other. The wool-grower and the wool manufacturer must go hand-in-hand; and if we will thus go hand-in-hand, I believe we can procure such legislation as shall be necessary to protect your interests, and such legislation as shall be necessary to protect our interests, so that the great wool-growing and wool-manufacturing interests of the country, now larger perhaps than any other interests, shall go on in a state of prosperity beyond even our highest expectations, and we shall loom up before the world as a people unsurpassed in our manufacturing interests.

Mr. H. BLANCHARD, of Connecticut. I rise with much diffidence to speak on this subject, because I see so many interests involved in this discussion, which it seems to me are so poorly comprehended by many of us, in their bearings each upon the other, that I cannot expect to elucidate the subject in such a manner as to give entire satisfaction to all the parties concerned.

I have had some experience in the matters under discussion, and perhaps can sympathize with the wool-growers; having been, from the position which I have occupied in years past, associated with them in a way that enables me fully to comprehend all their wants. I know the difficulties under which they labor; and it is this knowledge that has caused me, while listening to these debates, to rejoice from the bottom of my soul that this manufacturers' association is organized, and that this national wool-growers' association is organized; that the information which it is necessary should be communicated by the one to the other, may be made available for the practical benefit of those concerned. All this discussion in relation to the different breeds of sheep is interesting to us as manufacturers. Many of us can look back to the time when the efforts to improve the breed of sheep were commenced; and these discussions are not unprofitable, but will, undoubtedly result in good. The remarks which the honorable chairman has made, and the requests which he has made, were made in good faith; and yet, if we were a little captious, we might ask, "What obligations are we under to send agents to you to buy your wool?" No other business is conducted in this way. When we, as manufacturers, want to sell our products, we either do it in person, or we have an agent, who knows their value, and does not receive his estimate of their value from the man who proposes to buy them. You do not do so. Why not? It is in your power to do it. If you farmers would have a competent agent, who understood the condition of foreign markets and of your own product; who himself knew the relative value of wool, washed and unwashed; whose business it was to tell you what Mr. Kingsbury has told you, that, if you put hemp twine upon your fleeces, it is full of fibrous matter, which will be left in the wool when it is drawn through, and cannot be extracted—he could have told you all this, and he would have been able to come to me and say, "Here is a lot of unwashed wool which I wish to sell you." "Very well," I say, "what is your price?" He would not say, "The price of washed wool, a third off." If he was an intelligent man, he would know himself the value of that wool; and if I wished to pur-

e should have no difficulty in getting at its market value, if there was value attached to it.

ot my province to come here and advise you what to do. I only state some of the difficulties which exist. I believe that every intelligent turer to-day makes his estimate, in purchasing wool, upon what he be-ll be the net result, after scouring, in clean wool. If he errs in judg- will either fail in business or lose money—that is all. I think enough said upon that subject, without occupying your time further upon it. mention a difficulty that exists, to meet the objection that we manufac-e not fair in our method of buying wool. I have travelled over the as of Washington county, Pennsylvania, a good many times, in com-th a gentleman well acquainted with the farmers. I go to a gentleman raised a clip of wool, and, after examining it, I say to my agent, "There clip of wool; it is, I believe, everything that is desirable; you may pay o and a half cents a pound for it." I go to another lot, and I say, ondition of this is bad; its quality is not what I want; it isn't worth an fifty-five cents." Then I go to another lot, and I say, "This is ty-seven cents." "Ah!" says he, "If I pay one man sixty-two and ents a pound, I can't buy another clip of wool in that neighborhood I pay the same price." Am I not right? Who will contradict that among you wool-growers? [A voice: "That is true."] I only call ention to this, to show you one difficulty under which the manufacturers t to find fault with the wool-growers.

t think you can turn upon us, and say that we can correct all these dif-that exist. I do not know any other way for the manufacturers to do y have done. The laws of trade cannot be ignored by us; if we should it, we should fail. Supply and demand regulate prices. Every busi-a will buy where he can buy the cheapest, and sell where he can sell est. That is the principle—the very principle which you act upon in siness transactions. In effecting our sales, we adopt such a system as judgment will make the closest discriminations as to values, as to s, and as to the proper time to supply those demands.

emen have complained here about the amount of wool in the hands of ers. Is all the wool of the country worked up each year? Why he manufacturer hold 200,000 pounds of wool, that is worth sixty or cents a pound, and lose the interest on his money, when the grower can old it until he wants it? There are two sides to this question. It is t for us to buy a year's stock of wool in June, that is not to be worked the next May. I think, therefore, that gentlemen need not be dis-l if they have a stock of wool unsold on hand. The season has not the new clip is not yet in.

to say a word in reference to the remarks of our friend who has l the one-third rule. We expect, usually, that a washed fleece which hree pounds will weigh about four and a half pounds unwashed; and if omes to us, and wants to sell a few fleeces of unwashed wool with a lot ed—you know how it is; they want to sell the whole lot together—we 'ut it in, and take off one-third;" but I presume there is not a manufac-this house who goes into the market to buy three or four thousand of unwashed wool, who does not exercise all the powers that he pos- deciding what the shrinkage will be. The one-third rule has no influ-all upon his estimate; he decides the question upon its merits. If you put your wool into the market in an unwashed state, I don't suppose the manufacturers would object. But I think if you tried the experi-taking one neighborhood, and let them wash their sheep well—that is, r, running stream—and then, after they are properly washed, let them ek before they are sheared, leave out the tag-locks, and put the wool up according to the custom of the country—putting in everything that is

clean and is wool—and then let another neighborhood put up all their wool unwashed; and, if you had a mathematical demonstration which would so solve the problem as to enable us to tell exactly the relative value of the two lots, nine manufacturers out of ten would take the washed wool rather than the unwashed. Some might take the unwashed, but, everything else being equal, the great majority would take the washed instead of the unwashed.

You may ask my reasons for this opinion. Our honorable friend, the president, has said that wool will keep better in the grease; but that reason is not relevant in this country, where we have no surplus to be kept for any length of time. The custom has been, in this country, to wash our wool; and that is the custom to which our manufacturers have become habituated. Well, we all know that the customs of a country cannot be changed by the resolutions of a convention: it requires something more than that. Yet if it should be found, upon trial, that it is beneficial to have the wool brought to market unwashed, I presume the manufacturers would make no serious objection. There may be cases in which it may not be expedient to wash high-blooded sheep; perhaps it might not be advisable to wash imported sheep, under peculiar circumstances. I presume no objection would be made to receiving washed wool from the rolling country of the western States, where the climate is such that the streams are warm early in the season, and the sheep can be washed early.

I express these opinions for myself only. I think the wool-growers would find a more ready sale for their wool if it was well washed and put up in good condition. The difficulty in selling wool has no bearing upon this question whatever. If you will take some measures by which your wool can be intelligently brought to the manufacturers, you will have no difficulty in getting the full relative value for your product. Take Ohio, the largest wool-growing State in the Union. Two-thirds of the clip are bought up by the country merchants. The manufacturers cannot help that. We are not responsible for that. The country merchant thinks he is a very good judge of wool; he thinks he understands how much wool ought to shrink, and what its relative value is; and, as he approaches the farmer to buy from him his clip, understanding his peculiarities, and calling into exercise all the shrewdness of which he is capable in making a bargain, he pulls on just such a string as he thinks will be most effectual in order to induce him to sell that clip at the lowest price. Is not that so? I think you will agree with me that it is so. Now, what can the manufacturers do to correct such an evil as that? The merchant gets ten or fifteen thousand pounds of wool collected in his loft. Some of the manufacturers go out into the country, and they find this lot of wool on hand. They want the wool—they are out in the country to buy wool—and they buy it; the merchant charging them, perhaps, two or three cents a pound more than they could have got it for from the producer. The merchant leaves the impression on the mind of the wool-growers that the objections which he brings against their wool are brought by the manufacturer. I suppose that none of you need be told that to be qualified to judge accurately in regard to the relative value of wool requires a little more experience than is derived from dealing in it for four or five weeks in a year, and simply examining the outside of a fleece. I think the manufacturers are not responsible for the manner in which your wool is sold in the country. I cannot take any blame to myself; I think the onus is on you. But if you can, in your individual capacity, or in your collective capacity as an association, devise some way by which your wool can be intelligently brought to the manufacturers of this country, all these difficulties which have been described here will be removed.

Now let us look at the course pursued in other countries. Is there any other nation in the world that sells wool as we sell it? Take Germany, for instance. There the skirts are taken off the fleeces, two or three are laid together, and they are rolled up in one parcel, with perhaps a single string round them, and

perhaps none. If there is a string, it is a twine of hemp that is made smooth and glazed, so that the fibres, when it is drawn out, shall not be left in the wool. There is no objection to such a string, and in that condition there is a value to be attached to that wool, as washed wool. We go into the market and buy foreign wools, and make our estimate of the shrinkage. We buy American wools, and estimate the shrinkage. The millions of pounds of wool coming from Texas is unwashed; but there is no difficulty in getting at the value of it. It is just as good as Vermont wool; but the facilities for washing are so poor that they are not able to wash it. The one-third rule does not prevail in regard to it. In short, I may say that there is no one-third rule which has been established by the manufacturers. If any exists, it has been established more by the local buyers than by any other class of purchasers. I have often seen unwashed wool that I would not take at forty or even fifty per cent. discount, while I have seen other lots which at twenty or twenty-five per cent. discount would be very cheap. There is no other principle of action, as I have already said, by which manufacturers are governed, than this: "What percentage of wool can I get from that lot?" and, when that is decided, we regulate the price.

Mr. H. CUTTS, of Vermont. I wish to be indulged in making a short statement in answer to the remarks made by the gentleman from Massachusetts, Dr. Loring; and, in that statement, I think I shall be borne out by more than one gentleman here present. The gentleman says that he has replied to the speech I made once before. I deny that he has ever answered any speech that I have made anywhere in this world, and I can produce witnesses to bear me out in this statement. The only color of support that he has for this statement is this: On one occasion, at Concord, New Hampshire, he came out with a similar speech to that which he has made to-day, and, with the same dictatorial manner, undertook to prescribe to breeders what breed of sheep they should raise. I answered that speech then as I have answered a similar speech to-day. If my speech appears to him to be the same as that I made at Concord, it is because I was answering a similar speech made by him. I don't know that I have ever made a similar speech anywhere else.

I must say one word more in answer to the imputation the gentleman puts on me of being unpatriotic—that is, of not being a true and faithful son of Vermont, in saying what I have said. "*Et tu, Brute,*" he says. How is it? I accorded honor to these men for all the improvements they had made, both here and at Concord, on the former occasion to which I have alluded. All I object to is, that he should undertake, as the champion of a particular breed, to say that that is the only breed to be raised, and that no one else shall say there can be any improvement upon it. He sets that up as the golden calf that must be worshipped; and, if any man doesn't worship that golden calf, he is declared to be unpatriotic to Vermont, where he sets it up. That is the way I understand it. Now, I have yet to learn that, great as has been the improvement made upon merinoes in Vermont, all men must sit down and fold their hands, and say there can be no further improvement; and if any man presumes to doubt that statement, he is to be denounced as unpatriotic. I claim to be as patriotic as that gentleman, or any other; and I claim that my statement is true in regard to this—that that gentleman has never answered any speech of mine.

Dr. LORING. This matter of packing wool has been one of very great interest to me, as a practical matter. How to get at it, is the question. What we want is a uniform price for wool, if we can find it. Now, shall we get that by having a part of our fleeces washed, and a part unwashed; a part tied with strings, and a part not? or shall we endeavor to create some temptation to those who are growing wool here, to present their wool properly in the market? Perhaps the German method of tying with glazed twine might answer. Might not wool be packed in cotton bagging, or something of that sort?

Mr. BLANCHARD. One suggestion occurs to me. If I wished to manufac-

ture a piece of broadcloth with a brilliant lustre, and give it no other color except that which was embodied in the wool itself, I would wish to have it free from any foreign substance. If I wished to pack in linen sacking, and in the most perfect manner, I would scorch the sacking, so as to take off the little fibres on the inside. Or, if it was very fine wool, I would take sacking that had been used, and the fibres worn off, and then, I think, the manufacturer would find very little difficulty. But if you would pack it in the most perfect way, you would either pack it in cotton, where there would be no fibres to rub off, or in linen sacking, scorched in the way I have suggested.

Then, in regard to the string. I suppose all the string that is necessary is just enough to keep the fleece together. A very small twine, just strong enough for that purpose, is all that is needed. Every gentleman can use his own judgment. There is an abundance of this kind of twine in the market. I can buy twine for sixty-five or seventy cents a pound that the manufacturer never would complain of; but I can't buy it for twenty or sixteen cents a pound. Instead of weighing three or four ounces, all the twine necessary would not weigh more than the tenth of an ounce. So far as fancy cassimeres are concerned, and the great bulk of the woollen productions of the country, there is no objection to packing the wool in the ordinary wool-sacks, as it now comes to market. There would be no objection to ninety-nine one-hundredths of the wool that is manufactured to-day on account of the sacks in which it is placed. I was speaking only of the extreme cases.

Dr. LORING. Now, I want to ask another question. Suppose it was known that the whole clip of wool in the United States was unwashed: I want to ask the manufacturers whether they would not consider that they could go into the market and purchase that wool with more chance of forming a correct judgment in regard to its value, than they now do, knowing the various methods of washing that are pursued, and buying part of their wool washed and part unwashed?

Mr. BLANCHARD. Another remark is necessary in replying to that question. The judgment of men accustomed to discriminate between the different qualities of wool in this country has been formed on washed wool, as a general thing. A new exercise of judgment would be required with unwashed wool; for, so far as my observation goes—and I think I can find those present who will agree with me—fleeces in the unwashed state appear, in their size and fibre, different from washed fleeces. Hence you must educate the judges of wool—so far as American wool is concerned—to decide upon a different scale from the present. I do not say that cannot be done. Of course, if all the wool of the United States was unwashed, they would know what its value was no better than now. Every wool-grower might shear his clip unwashed; and there would be just as much difference in the value of their wool, unwashed, as to condition, as there is now. I don't think the purchaser could get at its value any better than now.

Dr. LORING. The statement has been made here, in regard to this one-third shrinkage rule, that it is not universal. One gentleman remarked that it is rather a local matter. Here is the monthly special report of the wool market of Chicago; and underneath it says (which would seem to bear out that statement) "one-third off for all buck fleeces unwashed, and ill-conditioned wool." Now, that is not a general test applied to all the wools brought in the Chicago market: it is merely applied to unwashed wool and buck fleeces, which are considered, I suppose, to vary in value from other wool in that proportion. Now, if this is the case—if this is merely a local matter—cannot something be done to establish a rule which will prevent the introduction of such fleeces into the market.

Mr. BLANCHARD. No rule can be adopted but an actual test. If a hundred bales come to me that weigh two hundred pounds apiece, and whoever purchases them of me throws out three or four bales of unwashed wool (which is

no unusual thing,) and I find that those three or four bales weigh three hundred pounds apiece, I should say that the one-third rule was near enough for all practical purposes, on so small a quantity. But, if I was buying twenty or even ten thousand pounds, I should want a closer discrimination than that.

Dr. LORING. I have listened to this discussion with great interest. Very many suggestions have been made that will be of value to wool-growers, if they will only heed them. I find that it is an almost interminable subject. The manufacturers differ, and the wool-growers differ, in regard to it, and now I move, as the sense of this convention, that the National Association of Wool Manufacturers be requested to appoint a committee of three from their body, to unite with a similar committee to be appointed by the National Wool-growers' Association, to investigate this matter of the one-third shrinkage rule, and report at some subsequent meeting; and that the chairmen of these two organizations be requested to make the nominations.

This motion was carried, and the convention adjourned to seven o'clock p. m.

#### EVENING SESSION.

The convention was called to order shortly after seven o'clock by the chairman.

Mr. R. G. HAZARD, of Rhode Island. Mr. President: In the course of the discussion in regard to washed and unwashed wool, a question which I think very pertinent was asked by a gentleman on the other side, and answered in part by my friend Mr. Blanchard. It was, whether there would be greater or less difficulty in judging of wool in the unwashed condition than there is in the washed. There is, however, I think, Mr. President, one element in that question which has not been introduced, and which would go to increase the difficulty of judging of the unwashed wool; a small error in judgment will make a great difference. I will endeavor to illustrate it by taking two extreme cases. Suppose, in the first place, that a manufacturer is buying a lot of wool, say a hundred pounds, which is very clean. He estimates that it will waste not more than five per cent. He pays ninety-five cents a pound for the lot, and estimates that the wool costs him, allowing five per cent. for waste, a dollar a pound. Suppose he errs five per cent. in his judgment, and that, instead of wasting five per cent. it wastes ten. He then gets ninety pounds of wool for his ninety-five, which, instead of a dollar a pound, will be a dollar and something over five cents. A difference of five per cent. in his judgment has made a difference of between five and six per cent. only in the cost of his wool. Now take the other extreme. We will suppose that he buys a lot of wool, of which he estimates that the waste will be ninety per cent., and for that he pays ten cents a pound. He has then, he thinks, ten pounds of clean wool, costing him ten dollars, which will also be a dollar a pound. Now, suppose he errs in judgment five per cent. in this case, and that, instead of wasting ninety, it wastes ninety-five per cent.; then he has only five pounds of wool for his ten dollars, making it cost two dollars a pound. In the one case he suffers a loss of less than six cents per pound on it, and in the other of a dollar a pound. I present these as extreme cases, merely to illustrate the point. I don't present it as conclusive, by any means, but merely as one element to be taken into account when that change is made.

I was also asked by the president for my opinion upon this point: whether it would be better that all the wool should come into the market washed or unwashed. As an abstract question, I think it would stand a little. ~~But~~ <sup>the</sup> practical question which we have to meet. The practical ~~is~~ <sup>is</sup> encouraged we would have the wool come into the market with ~~no~~ <sup>no</sup> which manufacturers would discourage any such very little from unwashed wool, and upon ~~the~~ <sup>the</sup> condition. His neighbor has saying that, for one, I would prefer ~~the~~ <sup>the</sup> in judging of it, I think, w

not be greater, if all came in unwashed, than now, when it comes in partly washed and partly unwashed, with all the grades, from well washed down to merely running the sheep through a brook.

But, independently of this question, I still think upon the abstract question I should prefer to have the wool come into market in an unwashed state, and I will mention some reasons for this preference. One is, that I believe wool keeps in better condition, and works better, when we receive it in that state, and one reason of that is probably this: it is a fact familiar, I believe, to nearly all manufacturers, that if you take a fleece of wool, as we receive it at the mill, and immediately throw it into water, it is very difficult to scour that wool clean. There is some peculiar effect produced upon it by throwing it into cold water, which makes it extremely difficult to get it into a proper condition to work afterwards. I don't know whether other manufacturers have noticed this fact, but that has been my experience, and I think I can see a reason why it is so. It is, that the yolk of the wool will make, to some extent, a scouring liquor, which will mix with the oil of the wool. I have had wools from which I have made a liquor which would not only scour themselves, but other wools in addition. Some African wools will do that. It is reasonable to suppose that if a fleece is merely wet with cold water, and then given to the manufacturer, we should encounter the same difficulty. I admit, sir, that in practice we do not usually encounter it; for I believe the farmers are very careful to provide that we shall not, by suffering their sheep to run long enough after they are washed before shearing, to get the wool back into its natural condition. Thanks to them for that.

I think, Mr. President, there is a reason for adopting some rule in regard to the relative value of washed and unwashed wool. I do not say the one-third rule is the proper one. I think the proportion has varied from what it was when we got a part of the wool really washed and the other part unwashed, though I do not think the difference is so great as the gentleman [Mr. Blanchard] supposes, because I think that the change in the method of breeding sheep has caused as much gain to unwashed wool, in proportion, as wools have lost by being washed. It has already been sufficiently explained, that, when wool comes to market, the one-third rule practically has no effect. If the whole lot is unwashed, a price is put upon it according to its merits, without any reference to what it would be if washed. But when, as is generally the case, much the larger portion is washed and only a small portion unwashed, it is found convenient to have some standard as an approximation to what the unwashed wool is worth, as compared with the other; inasmuch as, the bulk of the wool being washed, the price will be fixed upon that. But in such a case, if the unwashed wool amounts to any considerable portion of the value, I think almost every purchaser examines that as much as the other, and exercises his judgment on the question whether it is worth more or less than the one-third difference; and as he considers it worth more or less, the amount is added, or taken off. But there are cases in which it is important to have a rule for that purpose, as near as may be to the actual condition of things; and yet it is not very important to have it exact. A man, for instance, looks at 100,000 pounds, perhaps a part of it only exposed to view. He has no opportunity of seeing whether there is or is not any unwashed wool among it, and must judge how much it is worth if washed. He fixes the price, and then, perhaps, goes home. When the seller comes to pick it out, he finds some unwashed wool; and, in such cases, it is well, to save trouble, to fix upon some rule. Now, the question that unwashed wool which shall be somewhere near what it is done to establish. The third rule has been adopted for that purpose in the same market.

Mr. BLANCHARD. No rule where there is no law regulating interest, they still bales come to me that weigh off money where there is no contract. chases them of me throws out three or four per cent. purchased by incompetent, igno-

reckless buyers. But there is another question which lies back of that, and which may be important for us to discuss, and which ought some time to be discussed, and that is, whether it is better, in the main, that wool should come to market washed or unwashed—whether the general interests of society require the one or the other. That is a question of itself important to be considered, and one upon which discussion may throw light. I have already given the reason why I should prefer it in the unwashed condition, upon the question. At the same time, I am aware, as no gentleman can fail to be in this case, as in all cases, the interest is mutual between the manufacturer and the wool-growers. It is for the interest of the manufacturers that course shall be pursued by the wool-growers that in the end will enable them to give us the greatest quantity and the greatest value of wool at the least cost; and if, in one section of the country, the farmers are so situated that the expense or inconvenience or injury to their sheep by washing is greater than the cost of transporting the extra waste, and the other disadvantages attending that, I should say, decidedly, let them take that course by which they can give us the greatest value at the least cost. And if, in another section, they are so favorably situated with regard to washing that they can give us the greatest value by washing, let them pursue that course. And so with regard to all the other points, I think that is the thing to be considered. If, by producing the wool in connexion with a large amount of oil, you can still give us a greater value of wool at the least cost, then let us have the oil with it; and—I was almost going to say, but it is hardly necessary to say it, for the hypothesis is scarcely admissible, if, by giving us the wool in connexion with five, ten, or twenty per cent. of oil, you can give it to us cheaper than by not putting on the twine, then let us have the twine. In all cases, that one principle must be the controlling principle. That course which is the most economical, on the whole, will be adopted; and for it is to that that natural causes make the thing tend. I am aware of the influence of custom, which has been very well alluded to by one of the gentlemen who has preceded me, and of the influence of habit, and of the influence of prejudice: but prejudice and habit and custom are all things which yield most readily to discussion, to inquiry and knowledge; and it is to be hoped that a discussion of this subject may lead us to the true result as to this particular matter.

Let me I am upon this point of mutuality, which I think is one of the most important we have to discuss, I will merely remark, that perhaps, from a proper point of view, we may consider the wool-growers as the manufacturers of cloth. They are engaged in the first of a series of processes by which grass and grain are converted into cloth. There are other processes more or less divided in different sections and in different sections. Sometimes the spinning is done by one man, sometimes the yarn is made into cloth; and in England it is common for the maker of the cloth to transfer it to the finisher, to be completed and finished. Now, I say we can no more separate the interest of the grower and the wool manufacturer in this country than we can separate the interest of the spinner from that of the maker of the cloth, or that of the maker of the cloth from that of the finisher; they are indissolubly united together. There is only one other point to which I wish to advert in this connexion. One which I believe has not yet been touched upon, but I deem it of great importance. I allude to the demoralizing influence of the present system of selling wool, and putting it up for market. I find that men who are to it, are supposed to put up their wool in good condition have not been unhealthily so. On the contrary, I am well aware that the man who has mismanaged his sheep, who has bought their wool has had a great tendency to be misled, who has heard a great deal of procedure. One man has his wool washed and been the result of it, and offers it for sale that is the case.



scarcely wet his wool, or not more than wet it—has done it no good at any rate; or, if he has, suffers his sheep to run long enough for the yolk to be increased to the usual weight before he shears. An unskilled buyer comes along, and looks at both parcels; and the chances are that the man who puts up his wool poorly will get more than the man who puts it up well, because his wool, having been put up clean, will feel dry and a little harsh and brittle, while the other man's will have a softer and finer feeling. The result is, that the man who has put up his wool well really has contributed to the price paid to the one who has put up his wool badly. In that way the man who puts up his wool in good condition fails to get a fair price for his product, and the other man gets an advantage to which he is not entitled. I think this has a demoralizing tendency in all cases.

Mr. R. M. MONTGOMERY, of Ohio. If this convention will be patient with me a few moments, I flatter myself I can put this thing in a better shape than it is at the present time. I don't know that I shall succeed; but I hope I may.

I wish to congratulate my fellow wool-growers, in the first place, that this discussion has brought out one thing which I was glad to hear, and which will give us at least one advantage when we go home. It is this: We have been selling our unwashed wools to the buyers in the western country, who have told us that the manufacturers required that this difference of one-third should be made between washed and unwashed wool. The manufacturers tell us now that that is not the rule. Next year, when we sell our wool to them, and they tell us that the eastern buyers insist on taking off one-third on unwashed wool, we can say to them, "Gentlemen, the eastern buyers require no such thing—you scoundrels! You take the wool from my neighbors' old ram, and sell it honestly to those eastern men for unwashed wool; and you buy my wool, that is washed by the rains of heaven better than one-half the wool that is sold in the market, taking one-third off, and sell it to them with three-thirds on."

I am authorized to say, for the men of Ohio, that we do not complain because of the amount of the reduction, but we complain of the uniformity of the rule; that all wool that a man is honest enough to say is unwashed must be reduced one-third, while another lot, equally dirty, if called washed, comes in without any reduction. What we complain of is, the making of this wool, which is called washed wool, the standard by which we must suffer in the sale of our wool, if we choose to sell it in an unwashed condition. We understand the manufacturers very well. We understand that they buy it according to its value, without reference to the rule. But we object to the rule imposed upon us of an indiscriminate reduction, whether it is in one condition or another, if it goes by the name of unwashed wool.

Perhaps I shall explain it better by an illustration than in any other way. Two or three years ago (the precise time is not material) my wool did not come into market until late in the season. I did not ask any price for it; but one day there came along a man who has bought all the wool in our neighborhood for a good many years, and he said to me, "I would like to buy your wool; I can give you just seventy-five cents a pound for it." "Very well, I can take seventy-five cents." I will say that my wool was tolerably well washed that year; not so well as it used to be, because circumstances have changed. I have a neighbor, whose boy told me that two men washed five hundred of his sheep in one afternoon, and might just as well have washed a thousand; and not only that but ~~that~~ <sup>that</sup> was six weeks before they were sheared. I asked this buyer, "Did you buy Mr. —'s wool?" "Yes." "What did you give him—seventy-five cents?" "Yes." This man, who has bought perhaps five hundred thousand pounds of wool a year in my neighborhood, could tell me that he gave this

Mr. BLANCHARD. No. I have some unwashed wool, which was as chases them of me throws out three for what it is worth, without reference

to what another man sells his for. I think I have said enough on that point. It is needless for any honest wool-grower to say that he deprecates this as much as the manufacturers. It is only one of the many practices by which those of us who are tolerably honest are made to pay for the dishonesty of others. We ask the manufacturers to make a discrimination, and give us what our clean and well-put-up wool is worth, and not make us suffer for the misdeemeanors of our neighbors.

It has been asked why we wish to sell our wool in an unwashed condition. One reason is, that we don't want to subject our sheep to the labor of carrying ten or twenty pounds of wool soaked with water, as it will be if they are washed anything like well, for a week, more or less, until it gets dry. We don't choose to dress them in wet clothes for that length of time. Another reason is, we want to shear our sheep early; and if we undertake to wash them, we cannot do it, for the water is too cold, both for the sheep and the men, early in the season. A great many men in our western country cannot go into the water. One is subject to rheumatism, another to ague. A great proportion of our men are foreigners, raw men, not capable of handling sheep skilfully; and then the cost of getting it done is more than the increased cost of getting it to market with the dirt still in the fleeces.

Mr. W. F. GREER, of Ohio. Permit me to call your attention to one fact, which seems to have escaped you; and that is, the objection with which the one-third rule is met in our own State. And I may be permitted to remark, that the facts which have been stated here with regard to this rule are of great importance, and would give a value to this convention if nothing else were accomplished. It has been remarked by one of the speakers, that the fact that the growers object to this rule was unknown to him until quite recently. Now, sir, this matter has been discussed in our State association for four years; in fact, it was the cause of the formation of the "Wool-growers' Association" in our State. What we object to is the standard by which the value of our unwashed wool is fixed. If the manufacturers will, in determining its value, estimate it upon the basis of scoured wool, we will not object. But the standard of washed wool is so uncertain, that it is not a very safe one to base an estimate upon.

Mr. E. B. POTTLE, of New York. There is one question which I wish to ask my friend [Mr. Montgomery] in connexion with the subject he has been discussing. It has been asked whether the growers prefer to sell their wool washed or unwashed. I say I should prefer to sell it unwashed; and the first and obvious reason is, that it is a cruel thing to wash sheep. No matter how careful the man may be in driving the sheep to be washed, they will get heated; and then, when they are in the pen, the very nature of the animal is such, that, before you can catch half a dozen, they are in a perfect state of fermentation from heat and fright. They are taken and soused into a trough or brook; and it is like taking them from fever heat and putting them directly into the coldest water. I have seen the injurious results following from washing in my sheep for a week afterwards; and I have been obliged to put them into my warmest stable, and keep them there ten or twelve hours, until they were brought into a state of perspiration, to counteract the effect of the sudden change to which they had been subjected.

The second reason is, that it is wrong to require hired men to go into a brook and stand all day for the purpose of washing the sheep. Now and then a man will protest against it, and refuse to do it; but, as a general thing, they submit to it, because they labor for us, and are bound to obey our orders. It is an unhealthy practice; and many a man, now a hobbling cripple, may date his mis-<sup>es</sup> back to the time when he went into the brook to wash sheep, when <sup>mis-<sup>es</sup></sup> <sup>heard a</sup> enough to chill a man clear through. That has been the case. We are intelligent enough now to correct that.

wool into the hands of the manufacturer without subjecting either man or beast to the inhumanity to which this custom of washing has given rise.

Now, I put the question to my friend, does your experience concur with mine on this point?

Mr. MONTGOMERY. My experience fully concurs with yours; and I may add, that frequently I have seen very injurious effects from washing. I think the universal testimony of my neighbors is, that the sheep do not gain, but lose all the time from the day they are washed until they are shorn, as a usual thing. But I say to you, sir, that I apprehend these wool manufacturers will very readily understand the cruelty that this custom engenders to the sheep, and the injury it does to men who will handle sheep carefully, and they will accept our explanation without much question. It is only our reckless, careless, devil-may-care farmers who will tell us it don't hurt the sheep. They don't pay any attention to it, and don't know whether it hurts them or not.

Mr. POTTLE. There is another fact that should be mentioned in connexion with this matter, and that is, the way sheep are handled when they are washed. The man who owns the sheep don't go into the water and wash them. You cannot get a gentleman (I use the term, of course, in its social sense) to wash sheep. The work is intrusted to Irishmen and Dutchmen; and no matter how careful you may be in instructing them, they will catch the sheep and handle them as they would sticks of wood. Sometimes, when a sheep has died in consequence of this rough handling, I have taken the pains to have it skinned, and shown the carcass to them, to let them see the effects of their treatment. When a sheep has been caught up by the wool, and held so that its whole weight is sustained by the wool, and thrown into the creek in that way, if you will kill it and skin it half an hour afterwards, you will find a space of from six to twelve inches from which the skin has been entirely raised from the carcass, and that the blood has settled there until it is as black as your hat. Inhumanity like this ought to be stopped.

Mr. MONTGOMERY. I want to say one thing more, and, having said that I will detain you no longer. We, as wool-growers, and especially in Ohio, have asked whether there was any advantage in having the wool brook-washed, except for the matter of convenience in transporting; and we have asked different questions in reference to this subject, part of which we asked really for information, and part of which we asked, hoping that the answer, having authority as coming from the manufacturers, would give us an argument against the gentlemen who buy our wool of us. At least, that was one object that influenced me. If we learn from you manufacturers that you don't object to the wool in an unwashed state—that it is no damage to the wool—we then have an argument which we can use, when we go home, to those who buy wool. We have your authority for saying there is no benefit in washing the wool, and it gives us some advantage in carrying out the practice of not washing among ourselves.

The PRESIDENT, (Mr. E. B. Bigelow, of Massachusetts, in the chair.) It is quite a custom among producers to put tag-wool into their fleeces, as they put them up. Before washing, say about the first of May, when the sheep are first turned out to grass, they are tagged; and, in tying up the fleeces, a handful of this tag-wool is put into each fleece. One of the manufacturers at the New York meeting asked my opinion of that practice. I told him, and I wish to express that opinion here again to my brother producers. It is a fraud. We have a right, under the custom of this country, to put all the wool that is clean into the fleece. But if we sell our wool washed, and if the tags are cut off before washing, we are bound to put those tags into a tub and wash them as well.

Mr. BIGELOW is washed before we put them into the fleece. bales come to us. Will the gentleman allow me to make one statement? My chases them of me throw it is the usual practice of men who mean to be honest—give them as thorough a washing as the fleece

and then roll them up inside the fleece. I discontinued that practice because I became satisfied, first, from looking at the tags after they were washed, second, by consulting two or three eminent manufacturers, (and I want to hether the testimony of these gentlemen concurs with theirs,) that the is of washing destroyed the value of the wool; and I will tell you why. these tags are washed you can separate the good wool from the poor, that there is left will be worth something. The result of washing is, that are all felted together, and you cannot get them apart. Several man-ners have told me they would rather have them separate than have them up together, the pure with the impure. Hence I have adopted the ce ever since of putting the tags in one corner of my wool-house, und, insisting upon the condition, when the buyer came round, that they l be taken with the fleeces, according to the general custom.

RANDALL. I had proposed to suggest that same course. If the sheep been allowed to run to grass, and the tags have become stained by dung, is no doubt the course mentioned by Mr. Pottle is the only proper one. joint I make, however, is, that putting unwashed wool into a washed fleece ad, and it would be so declared by a jury.

other question asked me was with regard to putting in dead wool. Every r, who has any considerable number of sheep, will have three or four, or dozen, die during the winter. It has been the custom to treat their wool he tags. I think this is a most unqualified fraud. I don't want to use ilder term than that. The man who puts a bit of dead wool into the e of a fleece commits the same crime in principle, although it is not the in effect, as he who puts a stone there. Some men put stones in; but I our people ought to abandon the practice of putting even dead wool in! is matter of tying up wool is another thing to which I wish to refer. It is graceful thing for any wool-producer to have a single fleece of his all d up with twine. We do up our fleeces differently from what they do in any. By the custom of this country you have a right to use three ls of moderate-sized twine round the wool; and then, if it bulges out con-ably, it is a very common practice to put another around the other way. not see any objection to this, so long as the twine is visible. I don't be- there is any man within the sound of my voice—indeed, I know there is who does these objectionable things; but I think those of us who claim representative men in sheep-matters ought to despise the men who do things, and teach others to despise them.

m glad Mr. Kingsbury told us what kind of twine to use. We cannot use small twine in tying up these large fleeces. The reason is, that no man's can stand it. You must have twine large enough to be drawn with some gth; and with the twine we now use, a man has to wear gloves, and, even the hardest and horniest hand gets sore in doing up fleeces one day. I to know if there would be any objection to using common-sized twine, put times round the fleece. If it is put round only twice, the fleece bulges, rs off the twine, and the fleece breaks to pieces. It is necessary, therefore, ler to keep the fleece in a compact form, to put the twine three times round. makes seven or eight feet of twine. But there it is; you know what it is; here can be no objection to it, if it is done in a workmanlike manner. It is r your eyes, and you can make such a deduction for it as you use.

H. BLANCHARD, of Connecticut. So far as I am conce I think the cause of complaint is the large twine that has been used, e particularly e last three or four years, made from a kind of jute. In mouth, fleeces, l of fibrous particles, which are constantly coming out, never heard a kind of twine that was used fifteen years ago. is perhaps about two-thirds the size of the old twine, which has no fibres to come off.

manufacturer complain of wool tied up with twine of that kind, put three times round. But when tobacco twine is substituted for that—and that is used now about as much for tying up wool as tobacco—the evil is so apparent that I think the wool-growers must see the force of the objection to it.

Mr. RANDALL. If you can tell us where we can buy the twine you describe, we will get it and use it.

Mr. BLANCHARD. We buy it every day, almost.

Mr. RANDALL. I am ashamed to say that I had my wool tied up this year with the twine to which the gentleman objects; but it was because I could get no other. I went myself into every grocery and every store in my town, where I thought it possible to get twine; and I could find nothing but that rough, miserable stuff, made out of jute, I suppose, which had slivers of the bark projecting from it; and when you draw it, you draw off those slivers into the wool, and either they have all got to be pickéd out, or the cloth will be injured in point of color.

Mr. N. KINGSBURY, of Connecticut. I still retain my idea that no string should be put on but a woollen string. It is very apparent to the manufacturers of this country that we are going to produce a different kind of goods from fancy cassimeres. Several mills are now working on goods which require a very fine face, and I am fearful this same difficulty will occur. My own opinion is, that woollen twine can be produced, if it will be used by the producers. There are mills enough, and they might as well go to work to make twine to tie up wool as anything else. Two pounds of woollen string, in my opinion, would tie up a thousand fleeces. [Voices: "Oh, no!"] You must bear in mind that wool string is only about half as heavy as hemp string, no matter how much you glaze the hemp string. But suppose it took four pounds to tie up a thousand fleeces. The wool would weigh, in an unwashed state, six or seven thousand pounds; washed, perhaps four thousand pounds. You will easily see that the expense of tying up your wool with woollen strings would be trifling, and this difficulty would be entirely removed, at a very small expense. It might cost somewhere in the neighborhood of \$1 75 a pound. Your four pounds would cost you \$7. The manufacturer would buy it back at the same price which he pays for the wool; and the extra expense, over and above what the wool-grower would get back, would be very small. It would be reduced to the very smallest fraction of a penny per pound.

Mr. BLANCHARD. I must take the liberty to differ from my friend in his estimate as to the quantity of woollen string that would be required, and also to the feasibility of carrying out his plan. I have had some acquaintance with the wool-growers of eleven different States, I may say; for I have received wool from that number of States, and handled it. I think we are not sufficiently advanced in this country to put into the hands of the wool-growers of the different States which now produce this wool, the material he speaks of. We can put into their hands, or they can obtain that kind of twine that has been formerly used; and I think, if we should attempt the plan he suggests, we should fail to carry it out. I think we ought not to sanction the trial of any impracticable measure; for it would be adopted by only a few men, and the object would not be attained at all.

Mr. POTTLE. I want to pledge the wool-growers upon a single point; and I know I am safe in making the pledge. We, with our friends the manufacturers, hold to the great law of demand and supply, which leads a man to sell where he can get the most, and buy where he can buy the cheapest. That law will regulate this whole matter of string. Now what I want to say is, that the wool-growers will tie up their wool in such a way as you will make it for their fail. "to it up—in the way that will bring them the greatest number of than they come to sell it. All theories outside of that will

BLANCHARD. Allow me to say, in reply to that, that I think the gentleman who went through Nebraska or Iowa, or Wisconsin, or Illinois or Indiana, meet with considerable difficulty in finding any class of men who would adopt a system that would be so difficult to carry out as that proposed by my friend Mr. Kingsbury; and, when their wools come into market, they become, necessarily, mixed up with wools that that gentleman (Mr. Pottle) sells; and as the manufacturer to discriminate, and pay him for his wool a suitable price on the price of the other? I understand his argument is based upon the fact that the manufacturer is to go to the wool-grower to buy his clip.

POTTLE. No, sir. Just say to the wool-broker, when he comes up with his wool, "here is a lot of wool done up with tobacco string; I shall deduct one-third on that wool," and I will guarantee that the wool won't be in demand in that way next year. Away up in Nebraska and Iowa, they will have a kind of string which will enable them to get the most money for their wool.

BLANCHARD. To my mind, the plan does not seem practicable.

R. G. HAZARD, of Rhode Island. I am afraid, that, until we have some practical method of giving the wool-producers pay for these strings, we shall not meet the difficulty. I think it comes back to this: determine what is the standard, and if a respectable number of wool-growers adopt it, in the nature of things they will get paid for it. They will get as much more for their wool as it is worth; and if it is worth more than enough to pay for the additional cost of the strings, there will be an advantage to those who adopt the practice.

W. F. GREER, of Ohio. I can bear witness to the fact, that there has been a moment in our market when a man who chose to buy a good string, of the character described, and was willing to pay thirty-five or forty cents a pound for it, could not get it. I have used that kind of string myself for some time. I was led to do so from selfish motives, not knowing that the manufacturer objected to the cheap string. I tie up my own wool, and I have suffered sore fingers in consequence of it; and any gentleman who thinks anything of his fingers would be perfectly willing to pay the extra expense necessary to get a better article of twine. But still the large quantity that is bought in my neighborhood is sold for eighteen cents a pound; and, with wool at a price of a pound, it affords a very handsome profit.

The matter of washing tags is another subject that has been brought to our attention. I wish to confirm the remarks of my friend, Mr. Pottle, upon that subject. It was formerly the custom with our people to wash their tags in tubs, to extract all the filth they could, so that they were absolutely as clean as it was possible to make them by cold water. But, during the last two years, upon the advice of our principal buyers, they have changed the practice; it is now the uniform custom to put the tags in the wool as they come from the sheep, unwashed. This has been done in accordance with the wish and at the request of the wool-growers. I think Mr. Pope can speak more advisedly with regard to the northern part of Ohio; but I believe the custom is becoming more and more prevalent in our State; and if there is any fraud or error in it, the regular buyers are the persons who are censurable for bringing it about.

GEORGE W. BOND, of Massachusetts. I wish to say, in addition to what that gentleman has just stated with regard to this practice which has obtained of putting dirty tags and dead wool into the fleeces, that when wool comes into market, and is offered for sale, if they are found rolled up in the fleeces, it is considered as a fraud, and the buyer is considered entitled to an allowance for any foreign matter thus rolled up in the fleeces, and frequently a great deal of trouble arises from that cause.

I think Mr. Montgomery must have misunderstood the remarks of the gentleman who spoke with regard to the one-third discount. Mr. Kingsbury, I think, did say, that he was not aware that there was any such thing as deducting one-third on unwashed wool. *as declined in price*

Mr. KINGSBURY. No, sir; I said I was not aware of any arbitrary rule of that kind.

Mr. BOND. Well, up to within eight or ten years the custom in our market was to deduct twenty-five per cent.; but, to conform to all the other markets, I should say that it had been the invariable custom for ten years past to deduct one-third. It was not necessary for a person to ask the question what allowance was made on unwashed wool. Unless there was a special stipulation for a different allowance, the party purchasing a lot of fleece wool was entitled to one-third discount on the unwashed fleeces.

Mr. BLANCHARD. You refer to the unwashed fleeces in a lot of washed wool?

Mr. BOND. Yes, sir. An entire lot of unwashed fleeces was sold according to its merit. But, I should say, that in a majority of cases the manufacturer would prefer leaving them, rather than to take them at one-third discount.

Mr. POTTLE. Before any new topic is entered upon, I desire an expression of opinion whether it is beneficial or not to wash tags. As high an authority as Senator Simmons, of Rhode Island, said he considered it a positive damage to tags to subject them to soaking in a tub, and then to put them into the fleeces; that he would far rather have them rolled up by themselves, and then sold with the fleeces. If he misled me, I wish you to put me right.

Then, with regard to unwashed tags being put up with washed fleeces. There is a little confusion, I think, in regard to this. If they are rolled up in washed fleeces, and the whole sold as washed wool, of course it is a fraud. I have known a dozen trials of such cases, and never one without a conviction, and never a conviction that was not followed by most exemplary damages. But if, following out the custom of any portion of the country, or in accordance with an understanding with the wool-buyers, a man puts his tags into his fleeces, and says to the buyer, "This is washed wool, but the tags are put in unwashed, in accordance with the custom of the country," there is no fraud on the part of the seller, though there may be on the part of the broker when he sells the wool to the manufacturer.

Judge COLBURN, of Vermont. I can give gentlemen my own conviction upon this subject. These tags should be put up by themselves in a sack and sold as unwashed wool, one-third or one quarter off, just as seems to be proper.

Mr. POTTLE. That is the way we do it.

Judge COLBURN. I never in my life—and I have been growing wool forty year—put a tag in with my fleeces. I have kept the tags separate, and carried them to some factory and exchanged them for cloth. One year Mr. Bingham, a Boston dealer, came to my place, and, seeing the tags tied up by themselves, said, "I want to get one lot of wool without any tags, and I will give you three cents a pound more for that wool than I would if it had tags in it." I believe that if we should get into the habit of keeping the tags entirely away from the fleece, and sell them by themselves, the manufacturers would pay us a price that would be remunerative. We should dispose of our tags for what they are worth by themselves.

Now, I wish to propound one question to the manufacturers, and that is, whether they have any objection to fleeces being split?

Mr. GEORGE KELLOGG, of Connecticut. It seems to me that the object of splitting fleeces is to give the impression to the buyer that the wool is light wool. Light small fleeces generally have less coarse wool in them than large fleeces. Just cut in two a buck fleece, and it gives the impression to the buyer that there are two fleeces of light wool. I think it is a species of deception.

Mr. BLANCHARD. One word upon that point. In opening a fleece of wool for sorting upon the sorter's board, it is spread out, and the lower qualities in the do. are taken off; and, if it is a well-bred fleece, in many cases the whole of fail. of the fleece will go into one sort. If you cut the fleece in two

it is certainly more inconvenient for the sorter and the manufacturer than if the fleece is entire.

The PRESIDENT, (Mr. Bigelow in the chair.) Some six or eight years ago, after my fleeces got to be pretty heavy, a buyer came to look at them one day, and we began to talk of splitting. Said I to him, "Would there be any objection to splitting those fleeces?" "No," said he, "not if we understand it." "Supposing I give you notice I am going to split my fleeces?" said I. "I wish you would," said he. (He was not a manufacturer; he was buying to sell again.) Well, I directed my men to split some of the fleeces, and he marched off. He had not got more than a hundred yards from the barn before I began to consider why it was he was so very willing I should split my fleeces. I didn't have to think a great while; and said I, "Boys, put those fleeces together again just as they were; we won't have any split fleeces go from this barn." The object of splitting is to commit a fraud on somebody, and a high-minded producer will not make himself, even indirectly, a party to a fraud. If I raise a ram fleece, I will keep it together and call it a ram fleece. Mr. Pottle says if I tell a man I am going to do it, it is no fraud. I don't suppose it is. If I tell a man I mean to do a dirty thing, and he don't object to it, it is no fraud. But if he, through my act, commits a fraud on somebody else, I am an accessory to the crime, if I don't commit it directly.

Mr. POTTLE. One word. Don't let us tread upon each other's toes here. My friend from Ohio [Mr. Greer] says it is the custom in his country to put the unwashed tags in with the fleeces. Now, in that case, when it is a recognized custom, can they be accused of fraud? It is a bad practice, I admit. I want to ask my friend if I understood him correctly.

Mr. GREER. Most certainly. But perhaps, in justice to our growers and myself, I ought to state that we have but a very small number of what are known here as full-blooded sheep. The universal practice is to tag them quite early in the spring, before they leave the stables. The matter of putting the tags up separately, just as my friend Mr. Kingsbury has described, was suggested to the buyers, and they objected to it. They said, "We want you to put that part of the wool which you think belongs to each fleece with each fleece."

Mr. A. POPE, of Ohio. My friend Greer referred to me when he was on the floor before, but I thought perhaps the president would come to his rescue and save the credit of Ohio wool-growers, for I really think they need some apology. I can only say that I do not think his statement applies to the whole of Ohio. It may to some neighborhoods, but as a general thing it is not the case in Ohio that they put up the tags without washing.

Mr. GREER. I trust my friend Mr. Pope and the convention understood me. I meant only that this was the case in my particular neighborhood, where the buyers have created the custom.

Mr. POPE. I will not dispute it. One of your buyers bought a lot of wool for me, and I must say it was the most extraordinary lot of wool that I ever had come from your neighborhood. I have bought wool in other sections where I have been served the same way, and I considered it a fraud upon me. It is so with strings also. Some of the strings are quite six feet long, and tied with a double bow-knot a foot long! If I had known what course this debate was going to take I would have brought a pocketful of those strings just to show you what they are. But then the string is all out in sight, and we make a calculation just as though there was a stone of a pound weight in the wool.

Mr. BLANCHARD. I am sorry to say, and I think every wool-dealer and manufacturer will justify me in the remark, that the character of Ohio wool has deteriorated within the last five years, in the estimation of eastern men, and stands to-day no higher, the bulk of it, (there may be exceptions,) than Massachusetts wool. I certainly think I am safe in saying that it has declined in quality.



estimation of eastern men, from eight to ten per cent. I speak now of the wool of the State as a whole. There are many honorable exceptions.

Mr. POTTLE. There is just this which I desire to say, to be put right alongside of what the gentleman from Connecticut says. For the last three years you gentlemen manufacturers have not had a buyer out in the State of New York who has not met us constantly with this statement: "The reason why we don't give you as much for your wool as we do for Ohio wool is because your wool is not put up so well as the Ohio wool. Put up your wool as they do in Ohio and we will pay you as much as we do for Ohio wool." Now, how is that?

Mr. MONTGOMERY. If the convention will pardon me, I wish to add my mite to the information which is to be given here, that all may share in the benefits of this meeting. The remark is made by the gentleman from Connecticut that Ohio wool has depreciated in reputation at the east. Many of us understand that very well; and I may as well say to you that you will understand it better in four or five years than you do now, unless some other course is taken than the one you have pursued of late. I am not finding any fault with you; but you, as well as we, must submit to the natural course of things. It may be possible that there are gentlemen within the hearing of my voice who have known, by reputation, the clip of wool brought from Ohio as belonging to Cortland, Montgomery, and Brown. It may be that none of you have ever heard of it. It matters not whether you have or not. We had a very nice lot of sheep, taking in those three flocks. I question whether the State of Ohio had then, or ever had had before, or ever has had since, a better lot of wool for the manufacturer than that was. That wool, bred with the greatest care that we were able to give it, kept in the nicest condition in which we were able to keep it, washed in the best manner that we knew how, taken late enough in the season for the water to be warm and comfortable, so that we need not be in a hurry, and when the river was clear, wet all over, and suffered to go back to the pen and stand perhaps an hour to soak, and then taken again to the river and washed by the hands of our hired men, the owner himself standing in the water, and every sheep passing through his hands before it could go out, put up with just string enough to hold it, and then offered in the market. During John Brown's time we made an effort to get some sort of compensation for that kind of wool, put up in that condition; and, for a year or two, that wool was brought eastward, assorted, and sold all along from forty-five to eighty-five cents per pound, which gave us pretty good satisfaction. But as it was Mr. Brown's misfortune, and perhaps our misfortune, that he was one of that class of men who run things until they run them into the ground, that arrangement was broken up, and we went back to the ordinary plan of selling our wools at home. Well, sir, after having pursued that course for some years, it occurred to us that it didn't pay very well. Those fleeces would weigh about two pounds and a half—a little more or a little less—and we could sell them for a few cents more than the ordinary wools of the country. Getting a little tired of that, I purchased some sheep that gave heavier wool; and the man who had bought wool of me, whose name was Brown, and who bought very largely in Ohio, came to my house and began to scold because I would let my nice light-wool sheep go down to raise that heavy wool. "Now," said I, "Brown, I would very much rather raise this nice wool, and I would very much rather put it up in fine condition; I am an enthusiast over it; I have done it for years, and I don't like to sacrifice it; but you will come along and give Tom, Dick, and Harry forty-seven and forty-eight cents for their wool, and will haggle with me for forty-nine and a half. I have done business for fun long enough; I am going to raise some wool that will pay. If you will give me seventy or eighty cents, or something that shall compensate me for my labor, I will raise the other kind of wool cheerfully; but forty-nine cents buys ordinary wool, and forty-nine and a half buys this nice

wool, we will change the programme." That is the reason why Ohio wools have deteriorated in value, and are bound to do so until some other course is taken and some other plan is adopted.

Mr. BLANCHARD. I did not mean to throw any disparagement on Ohio wool. I think that wool very desirable—more desirable than any other, except Pennsylvania wool.

The fourth subject for discussion was then taken up, to wit, the wool best adapted to the various manufactures, especially that of worsted.

The PRESIDENT. We should be glad to know what you do with our wools; what kind of wools go into what kind of fabrics. We should be glad of some practical information upon that subject.

Mr. HAZARD. The president of our association [Hon. E. B. Bigelow] has paid more attention to this subject, perhaps, than any other person, and I hope we shall hear from him upon it.

Mr. BLANCHARD. If the inquiry is with reference to worsted wools particularly, I think our secretary has some facts in regard to it that will be of interest to the wool-growers here. But, sir, in connexion with that, if I may be indulged with the attention of the assembly for a few moments, I would like to express briefly some views of the different kinds of sheep which, in the estimation of manufacturers, it would be desirable to raise in this country.

There are diversified interests among the manufacturers. There is a great diversity of talent among them. One man, possessing a taste, a cultivated taste if you please, for fancy articles, will enter upon the manufacture of those fabrics that are styled fancy goods, and succeed in them admirably, and to the entire satisfaction of himself, as well as benefit to the community. Another man, attempting to produce the same article, would fail in business in less than six months. I know some men who have spent almost a lifetime in making black doeskins, until they have attained a perfection in the article that is almost unsurpassed by the Germans. Let those same men attempt to manufacture a cheap article, and the probability is that they would fail to accomplish their object.

Now, I have thought that perhaps the same principle might apply to wool-growers. In my experience with the wool-growers of the country, I have sometimes found a man who would take a Saxony flock of imported sheep, retain all their excellence, and continue to improve on that flock, until he had secured perhaps one of the best in the United States. I have now in my mind one man in Washington county, of whom you may have heard; I mean Mr. Samuel Patterson, whose flock was, if not superior, at least fully equal, to any other in the State of Pennsylvania. He had a taste for it; and, by his knowledge of the habits of the Saxony sheep, he was enabled to cultivate them, and to cultivate them with success. Other men prefer to cultivate merino sheep; and, in the application of their minds to that branch of sheep culture, they have been eminently successful. Another class of men, living near large cities, who may go into Canada, or into some of the sections of the country where a large kind of sheep are grown, purchase their stock, take them to the vicinity of the large cities, put them upon their pastures, feed them until they become fat, and then take them to market and sell them for mutton; such men, though the wool that is upon these sheep is coarse wool, are successful in that branch of sheep husbandry. Hence, it seems that we need this diversified application of the talent of the country in the production of the raw material, as much as we need the diversified talent that exists among manufacturers in producing the various articles we want.

Now, if this is so, I make these remarks to throw the thought before the minds of the wool-growers, is it wise to abandon the Saxony wool? If I mistake not the public sentiment of the wool-growing community at the present time, it is that the grade of wool which is usually denominated merino is fine

enough to meet the wants of all the manufacturers of this country. Let me assure you that it is not so. Unless you do produce the Saxony wool, we, as manufacturers, will be forced to resort to the foreign markets for a supply. There are certain fabrics manufactured to-day that cannot be made without that grade of wool which is denominated Saxony wool—fine wool—finer than any other that is produced in this country, (I use the words as they are practically used among farmers, without specifying the difference that exists between them.) If you wish to-day to make a very fine broadcloth, and if the object we have in view is carried out, that the manufacturers of this country are to supply the wants of the country, you must have clean, fine wools to do it; such wools as the Australian, Cape of Good Hope, or German wools. If you don't you cannot make the article.

I will give you an instance, to show the difficulty of getting this fine wool, which illustrates the point I have in view. I am engaged in the manufacture of ladies' shawls. The consumption of our mill for the year is about 350,000 pounds. In the last six months I directed the sorters if they found what we term a "pick-lock" fleece to lay it aside. During these six months, they have only saved about four hundred pounds of that quality. The next grade we use is what is ordinarily denominated the fine wool of this country. From that we have made an article, which, when taken to New York, was sold to a prominent importer at an advance of thirty-three and a third per cent. over any article of the kind ever made in this country, I believe, except, it may be, something that was made for exhibition at a fair.

I only allude to this to show that that kind of wool must be produced in this country, if we intend to supply the demand of this country for fine fabrics. If that be so, is it wise on the part of the wool-growers of this country to abandon the raising of fine wools? I know you may turn on me, and say, "You won't pay us for it;" but I say we will pay you for it, if you will sell it as cheap as we can get it from the foreign grower, and not without. That is plain common sense. I say we can pay you for it; and I say that if properly classified, and properly presented to the manufacturer, you can get your price for it. But you can't take your Saxony wool to the manufacturer of fancy cassimeres, who wants a medium grade of merino wool, and expect that he will pay you as much for it as the manufacturer of fine broadcloths, fine doeskins and fine shawls. Unless you can present that wool to the manufacturer who wants to use it, you can never get its value. If it is sold to the passing buyer, who is travelling round the country, he will give perhaps a cent and a half a pound more for it than for ordinary wools.

I simply call your attention to this matter, that you may think upon it, and act upon it as your judgment may dictate. I now renew my call upon our secretary, for facts in his possession in relation to worsted wool.

Mr. JOHN L. HAYES, of Massachusetts. I will respond with pleasure to the request of the gentleman from Connecticut, and submit to the convention some considerations bearing upon the importance of increasing the production of combing or worsted wools in this country; but, before addressing myself to that special subject of inquiry, I desire to call attention to some facts which will throw light upon the extent to which wool in general is used in the textile arts, and which will illustrate the demand in the markets of the world for this material, and the tendency of the age towards its increased consumption. There is no more interesting or practical question, to the producer of wool especially, than the inquiry, whether there is a demand for his product, and whether there will be such an increased demand as will continue prices, and justify him in expending capital for increased production.

In pursuing this inquiry, we are struck with the observation that nature is economical in the supply of the raw material, or rather in the varieties of raw material which are to be worked up by man. How few are the great natural staples

which make up the bulk of commercial commodities! But the uses of any raw material, which is found applicable in the arts, are infinite. We utterly fail to imagine the new applications to which such raw material may be made. Every improvement in the arts, in chemistry or machinery, each new step in the progress of civilization or luxury, increases the modes of application, and consequently the demand. The demand for a particular fabric or manufacture may cease through change of fashion, but the demand for the raw material never.

The demand for wool received its most important impulse in modern times at about the commencement of the present century, or, perhaps, the latter part of the last century, from the great improvements which were made in cotton machinery, which were applied also to wool. The improvements in the spinning jenny, the introduction of the power-loom, and the establishment of the factory system, multiplied the power of the manufacturer to such an extent that an unprecedented demand for wool began to arise. Then the increased use of other kindred fibres added also to the consumption of wool. It is a curious fact, that cotton, although it has always been regarded as the rival of wool, has added largely to its consumption. It is stated by English observers, that the use of cotton warps has added vastly to the extent to which wool is used in England. Entire factories are now engaged in the manufacture of cotton warp; and it is found that, by the use of this warp with woollen filling, cotton, instead of being a competitor, is the most important auxiliary of wool.

I will now refer to the statistics which illustrate the progress of the demand for this material. The increase in the consumption of wool is strikingly shown by a comparison of two periods in England no further apart than thirty years. The importations of wool into England thirty years ago were: from Germany, in round numbers, 74,000 bales; from Spain and Portugal, 10,000 bales; the British colonies, 8,000 bales; sundry other places, 5,000 bales. Total in 1830, 98,000.

Now, compare these imports with those of 1862 and 1864. In 1862 the imports from Australia were 226,000 bales; from Cape of Good Hope, 66,000 bales; from Germany, 29,000 bales; from Spain, 1,000 bales; from Portugal, 11,000 bales; from Russia, 40,000 bales; from the East Indies, 52,000 bales; from South America, 80,000 bales; sundry other places, 96,000 bales. Total, 585,000 bales. Then we come to 1864, and we find from Australia, as against 226,000 in 1862, 302,000 bales; as against 66,000 from the Cape of Good Hope in 1862, 68,000; as against 80,000 from South America in 1862, 99,000. In all, in 1864, 688,336 bales.

Comparing that with the importation only thirty years before, we have 688,000 bales as against 98,000. Australia now supplies more than three times the whole amount of foreign wool consumed in England a third of a century ago. The production of South America exceeds the whole consumption then. In this short period the consumption has actually increased seven-fold. The production of wool in England is 250,000,000 pounds; the imports, 184,000,000; the exports, 54,000,000—so that the total amount consumed in England is 380,000,000 pounds. Add to that the shoddy, of which 65,000,000 pounds are consumed, and we have the enormous total of 445,000,000 pounds of wool consumed in England alone.

Now, this increase of production and consumption is not confined to England alone: it goes on in the same ratio in other countries. In 1861, France exported woollen goods of the value of 188,000,000 francs; in 1863, 283,000,000 francs. The production of Germany, Russia, and Austria is increasing in the same ratio; so that we have now, it is estimated, a consumption in all the world of 1,600,000,000 pounds of wool, and yet hundreds of millions of people, as in China, are just beginning to appreciate the value of woollen fabrics. Even France has but just commenced to supply herself with carpets.

The testimony taken before the House of Lords in 1828 shows that although

less than 98,000 bales of wool were brought into England at that time, every warehouse was filled with wool, and stocks were lying on hand sometimes for five or six years; whereas, at the present time, as I am informed by an English gentleman of great intelligence, and a very large dealer in wool, Mr. Bowes, the warehouses are exhausted, and there are no stocks on hand. The demand is fully up to the supply.

The facts in relation to prices are not less interesting. In 1855, the price of English combing-fleeces was 1*s.* 1½*d.* In 1864, the price of the same wools was 2*s.* 4*d.* Australian fleeces averaged in 1855, 1*s.* 8*d.*; in 1864, 1*s.* 10*d.* Cape fleeces in 1855, 1*s.* 5*d.*; in 1864, 1*s.* 4*d.* Buenos Ayres, fair mestizo, in 1855, 7*d.*; in 1864, 8*d.* Cordova, in 1855, 8½*d.*; in 1864, 11½*d.*

Thus we see that fine wools have not declined: they have kept about the same ratio.

But the question still remains, will the demand for fine wools, relatively to other kinds, continue? In considering that question, it is worth while to look at the production of Australia particularly, and the facts which show the extraordinary increase in the ratio of production in the Australian colonies. In 1797 three merino rams and five ewes were carried there; but so slow was the introduction of the production of wool into those colonies, that it was not till 1807—ten years later—that the first bale of wool was carried from Australia to England. But the flocks of Australia did not originate from that source. The development of fine wool husbandry in these colonies was the result of an accident. Some English whalers captured in the south seas, about the beginning of the present century, a vessel proceeding to Peru to Spain in which there were three hundred merino rams and ewes. These sheep were carried to Australia and originated the fine merino wool, whose production is now estimated at 100,000,000 pounds; and are sold in special market at London, to which all the manufacturers of the world resort. The production of fine wool of La Plata is estimated at 100,000,000 pounds; and of the Cape at 50,000,000 pounds. And when you remember that only a portion of Australia has been developed, and that the vast and fertile interior still remains to be opened up, who can tell what shall be the production in the future? The pampas of the Argentine republic offer even a more unbounded field for production. They present a vast uplifted alluvial plain, eight hundred thousand square miles in extent, presenting an ocean in verdure, where wool-growing in the production of fine wool called mestiza, or improved wool, is pursued with more vigor and profit than in any other part of the world, with the single drawback that the value of the wool is greatly impaired by burrs derived from a species of clover peculiar to the vegetation of the pampas. In view of the fields for the production of fine wool, thus rapidly expanding, which are opened abroad, it is well to inquire whether it may not be desirable to turn our attention to some other of the various kinds of wool in which the competition of foreign wool is not so formidable.

In considering this matter, the producer of wool should not overlook the competition with clothing or merino wool of a material which was not known in manufactures until the present century. I refer to shoddy, or rather that variety of shoddy known in England by the name of mungo. The term shoddy, strictly speaking, is the name applied to fibre made from soft rags, from tannels and blankets, which were first used in manufacture of cloth. The use of this material originated at Batley, in England, in 1813. Mungo is the fibre obtained from hard rags of fine broadcloth, such as clippings from the tailors' shops. This was not introduced until later, and the manufacturers of Batley were quite incredulous of its being utilized. The Yorkshire man, who first conceived the idea of using the fibre of hard rags, obstinately replied to the objection that the material could not be introduced. "It mun go." (it must go.) It did go, and a new substance was introduced into the arts and a new word

into the English language. Of shoddy and mungo, sixty-five million pounds are consumed in England more than our whole clip of wool in 1860. It is estimated that twenty-five thousand persons are employed in converting shoddy into cloth, and that the value of the product is five or six million pounds sterling. The fact, however, to which I wish to call attention is, that shoddy comes in competition with fine or cloth wool only. It is not used in the manufacture of worsted, and does not take the place of combing-wools.

When we look at the facts as to prices before given, we find that the English combing-fleeces were worth in 1855 only 1s. 1½d.; in 1864 they were worth 2s. 4d.; that is, they had more than doubled in ten years, while cloth-wools had just about held their own in respect to price. England is the only country which has devoted itself exclusively to the production of the long combing-wools required for the manufacture of worsted. She cannot, or does not, produce any fine wool. There are, in fact, no merino sheep in England. It is believed, however, that England has attained to the utmost production of this wool of which her limited territory is capable. The manufacturers of Bradford are already alarmed, and have already issued circulars to induce a greater supply of lustre wools. England is the only country which now produces the long combing-wools. It is found that in Australia the combing-wools cannot be grown; and they cannot be grown at the Cape. I have the authority of Mr. Bowes for saying that the experiment has been fully tried, and has signally failed; that Leicester, Costwold, and Lincolnshire sheep have been repeatedly carried to Australia and the Cape, and every effort made to introduce the culture of long-wooled sheep; but it has been found that after a little while the wool is converted into hair, and it is now admitted that the long combing-wools cannot be grown in Australia or at the Cape. But the combing-wools can be grown in the United States. The fact of the fitness of this country for the growth of combing-wools is completely established by the success which has attended the production of that kind of wool in Canada. The amount of combing-wools now produced in Canada is between five and six million pounds. The quality in the English market is not regarded as by any means equal to their own combing-wools, because the same care is not taken in its production, and the English complain that the wool is full of burrs. In England the most extraordinary care is taken. The fields are actually swept, that the fleeces may receive no injury from dirt. But our worsted manufacturers have found the Canada wools perfectly good substitutes for the English wools, and have paid as high as \$1 40 currency for wool worth five years ago only twenty-eight cents. The attempt has been made in this country to manufacture alpaca goods from this long combing-wool, for which, by reason of its lustre, it is peculiarly fitted. There was some failure in the first experiment, and the manufacturers supposed that the wool was not suitable. They then sent to England, and imported a thousand pounds of the best combing-wool; and, upon a comparison of that with the combing-wool of Canada, it was found that the Canadian wool was equal to the English in every respect. I have some specimens of this fabric, which is called *alpacas*, because it is an imitation of the fabrics made from alpaca wool. (The speaker held up the specimens to the view of the convention.) This stuff is made of a filling of the long combing-wool of Canada with a warp of cotton. The fabric is equal in finish and lustre to any imported from England.

The question is eminently worthy of the consideration of our farmers, whether the long-wool husbandry may not be profitably introduced into this country. This is a question upon which we, as manufacturers, pretend to give no opinion. We can only assure the farmers of the United States that there is a growing demand for this material, that there will be less competition in the growth of this wool than in any other, and that the prices are certain to be higher than for any wool which can be grown in this country. To determine the question of profit it will be necessary that experiments upon an extensive

scale be tried, and will be doubtless necessary that a system of husbandry should be developed in this country analogous to the four-field system in England, but fitted for the peculiar necessities of our soil and climate. I can conceive of no subject more worthy of the attention of the national association of wool-growers formed here to-day, or of the boards of agricultural colleges in the several States.

It may be said that the introduction of long-wool husbandry will interfere with that already established in this country. I see no force in this objection. It is probable that this kind of sheep husbandry can be profitably carried on only in those districts where there is a demand for mutton, and where the mutton will be as much an object as the wool. It seems to me, Mr. President and gentlemen, that the development of this species of sheep will not interfere with the branches of sheep husbandry which are now pursued, but will give an increased demand for the peculiar kind of merino wool now being produced by the intelligent skill of the Vermont breeders. Dr. Loring, this morning, quoted some remarks of mine in reference to the peculiar value of the American merino fleece. I am convinced that the fabrics to which the coarse merino wool that seems to be in favor here is best adapted have not yet been manufactured in this country to any extent. The class of goods to which that wool is peculiarly fitted are the fabrics somewhat analogous to the goods called "coburgs," and the goods called "merinoes" and "thibets," the soft stuff goods for women's wear. Now, in that branch of manufacture, or that of stuff goods as distinguished from cloth goods, France employs three hundred thousand persons. In this country there were not five thousand employed in 1860. The remarkable development of that branch of industry in France is attributed to the peculiar qualities of the merino wool which the French possess. This wool is long in staple, the sheep are of unusual size, and the fleeces heavy, having, in fact, the very characteristic of the American merino. M. Bernoville, a very eminent manufacturer and a practical man, who has written a work on the combing-wool industry of that country, one of the most learned works that has ever been written upon any branch of the practical arts, describes these fabrics in detail, and gives the reasons why France has obtained such eminence in their production. The most important reason which he gives is in these words :

"The first fact that we ought to proclaim abroad is, that, without the introduction of the Spanish race into our flocks, and without all the skill of our agriculturists, we should still vegetate in dependence upon neighboring nations, and should be reduced to clothe ourselves with their stuffs. It is to the admirable revolution in the raising of ovine animals that we owe the beautiful industry of spinning the merino combing-wools. It is to this that we owe the splendor of the industries of weaving combing-wool at Paris, at Rheims, at Roubaix, at Amiens, and St. Quentin."

Now, I wish to enforce this position. In order that the worsted manufacture should be developed in this country—and by the worsted manufacture I mean the manufacture of stuff goods in their infinite variety for female apparel and furniture trimmings, &c., as distinguished from cloth goods—there must first be a supply of long combing-wool from sheep of the English breed. The development of the manufacture created by the supply of these wools will be the most certain means of creating the demand for the long merino wools for soft stuff goods, for which I have shown they are peculiarly fitted. We are as yet but in our infancy in our manufactures. The work before us, as wool-growers and manufacturers, is to clothe all the people of the United States with our wool and our fabrics. We have but just commenced the work ; and when a full supply of raw material is furnished, and grower and manufacturer are encouraged by a *stable* system of protection, the imagination can hardly conceive

the grand field which will be opened in this country in the industry of wool and woollens.

You will excuse me, Mr. President, for dwelling upon agricultural questions which do not strictly belong to my department. I am not a practical man in such matters. The only right to speak upon the subject of wool and sheep which I claim to have is the hereditary right which I derive from the fact, that my father, an extensive farmer in the State of Maine, was the introducer by his own importation of the first Saxony sheep into that State; and that, when a boy eleven or twelve years old, I have spent many a cold night in caring for the poor lambs, too tender for that excessive climate, born in the freezing nights of February. It is with no little pleasure that I find the interest connected with the association of my boyhood revived by the pursuits of maturer years, and strengthened by the instructive discussions to which I have listened to-day.

Allow me, before I sit down, to allude to a relic of aboriginal history which was vividly brought to my mind yesterday as I journeyed for the first time on my way to this place through the valley of the Mohawk. Some years ago, I visited some of the Indian tribes which still survive in the eastern parts of the State of Maine, and was struck with the singular tradition which I found remaining among them of the strength and ferocity of their ancient enemies, the tribe of Mohawks. The Indian mother, it was said, still quiets her crying child by breathing the terrible name of Mohawk. It is the way of ignorant and barbarous people to cherish the memories of ancient hatred. It is the triumph of civilization to do away with old enmities and prejudice. We sit here to-day, gentlemen, near the old council grounds of the departed Mohawks; and we, gentlemen, we of the eastern tribes, have come up to-day to meet you, gentlemen of the west, with no recollection of the old feud which has divided us so long. "We have," to quote the language of one of your letters, Mr. President, "washed off our war paint, if any yet remains." We have buried the hatchet; we have smoked the calumet of peace; and, in this first council of once hostile interests, we have founded an alliance which I trust will inaugurate a new and auspicious era in all our industries.

Mr. GEORGE W. BOND, of Massachusetts. In my position as chairman of the committee on raw materials, I have given some attention to this subject. Our annual import of worsted goods from Great Britain is about fifty million yards; besides a very large amount, of which we have no accurate record, from France. Those from France are principally of a character for which our long merino wools are admirably well adapted. We need to make all the varieties of goods that we consume in this country, of all the varieties of wool that we produce. Had I known, before I left home, that this question was to come up in this form, I could have prepared myself with an approximate statement of the quantity required of the different kinds of wool. In round numbers, we require some fifteen million pounds of carpet wool, in the state in which it generally comes to market. A little of the grade of wool such as it is unprofitable to grow here is grown on the plains west of the Mississippi; but the amount is trifling. The great bulk of the wool which we require is of the merino grade, which we use for our cassimeres, flannels, and delaines; and I trust, that, as we increase in the development of the length of the staple of the merino, the fabrics which the secretary has referred to will soon be added. Experiments are being made now which I think will lead soon to their extensive manufacture. The other great branch of manufacture is that of worsted goods, of which there is a great and immensely increasing consumption, requiring a class of wool, the value of which alone seems to have been increased by the advance in cotton. We have now no hindrance to that manufacture in this country, save a supply of the raw material. As has been stated, we have hitherto imported from three to five million pounds from Canada; and from that supply we shall be cut off, if the reciprocity treaty is closed the coming



spring. What those concerns will then do who have embarked in the manufacture, I cannot foresee. We should readily and promptly consume in this country, I think, not less than twenty million pounds of such wools, if we had the supply.

Another class of wools for which we require, for our present consumption, the equivalent of ten or fifteen million pounds, at least, of washed wool, say twenty to thirty million pounds in the condition in which we receive it, are the finer wools grown in South America, Australia, and the Cape, for the manufacture of goods requiring a close filling and superior finish, which we have been unable to obtain hitherto from any considerable amount of wool grown in this country. Some of the wools grown in Virginia have had these qualities; and when Virginia and East Tennessee come to be settled by northern men, I hope we shall, from that source, and possibly from some parts of Texas, be able to obtain wools which are adapted to these uses. Until then, we must depend upon foreign markets for our supply. But it is the earnest wish of all connected with the woollen and worsted manufacture, so far as I know, that the growth of these wools should be undertaken; that experiments should be made to ascertain what part of the country is best adapted to them; and that we should have a supply of our own growth.

While I am up, I would allude to a question, the importance of which I have felt for a great many years: that is, the necessity of careful study, scientific and practical, of the influence of climate and soil upon wool. All of us here present know that they have an immense influence. What that influence is, has never been settled, I believe, nicely, thoroughly, in this country or any other. In a country so extended as ours, with every variety of climate and soil, it is of more importance than it can be to any other nation in the world. When Professor Agassiz first established his Museum of Comparative Zoölogy, it was a part of his plan to connect with that institution the study of this important subject. The plan he laid out was so vast, that, in bringing it into practical order, he had not reached that when the war began. The war took off a number of young men upon whom he depended to enter with him upon this department of science, and it has thus been delayed. But I hope, when he returns, he will soon be able to take it up there; and the Institute of Technology, also, hopes to devote a part of its attention to the study of that and other matters connected with the practical arts.

Mr. R. G. HAZARD, of Rhode Island. When I was up on a former occasion, I referred to the direct interest the wool manufacturer had in the ability of the wool-grower to produce his wool in the cheapest and most economical manner. Perhaps the wool-grower has an equal interest in the ability and skill of the manufacturer to work up the raw material into goods of the greatest possible value. And upon this subject of worsted wools, I think the producer may find encouragement in the fact that the manufacturers are acquiring skill in that direction perhaps more rapidly than in any other. Some of them have alluded to that subject, and seem discouraged in regard to their ability to produce that kind of wool. But the experiments on which this opinion is founded were probably tried when such wools were very much lower in proportion than they are now. There is, however, an important consideration connected with that; and I think it very desirable that this subject should be seen in all its bearings. That consideration is, that those kinds of wools are grown upon large sheep. Now, in this country the mutton seems to be comparatively a small object. In Great Britain the mutton is the main object, and the wool merely an incidental production. I have no doubt that many of their farmers, if they should hear of our keeping sheep merely for their wool, would appear as much astonished as some of ours are when they hear of Russian farmers keeping pigs for their bristles. That may affect the production of this kind of wool; but, when we become more a mutton-eating people, it may be more judicious for us to raise *these large sheep*.

Connected with that subject there is a merely theoretical view which I should like to state, and learn from practical men how far their experience bears out the theory in regard to this size of sheep, or any other animal. We are all aware that the surface upon which the wool grows increases as the square of the linear dimensions; while the carcass, which has to be sustained to produce that wool, increases as the cube. For instance, if you begin with the linear dimensions two, the square, being four, will represent the surface upon which the wool grows; the cube, which is eight, representing the carcass of the sheep which has to be sustained. Now, if you double the linear dimensions, instead of making them two, make them four, you have a surface upon which the wool grows of sixteen, and the cube will be sixty-four. In the one case, it is as one to two; in the other, as one to four. According to that calculation, it would seem that we ought to raise the greatest quantity of wool per acre upon small sheep.

Mr. WM. R. SANFORD, of Vermont. I would like to ask Mr. Hayes what length of wool is necessary to produce those fabrics of which he speaks?

Mr. HAYES. I understand that the greater the length the more advantageously it can be used; but that a length of two and a half inches to three inches will suffice. I am speaking of fine wools. The coarse wools—the English combing-wools—should be six or eight inches in length.

The PRESIDENT. I will answer Mr. Hazard's question. It is a fact universally recognized among practical producers, that small sheep have more surface in proportion to their weight than large ones.

Mr. BLANCHARD. One word in regard to this coarse wool to which reference has been made. Some gentlemen here may form their estimate of the value of coarse upon the price that prevailed six or eight years ago. Let me state one fact. The wool to which our secretary has referred is ordinarily sold to-day at seventy cents a pound. Six years ago it would not have brought over forty-five or fifty cents.

Mr. POTTLE. I desire to say to our friends who represent the manufacturing interests here, that from the very bottom of my heart I thank them for the courtesy with which they have listened to our inquiries, and the kindness and alacrity with which they have answered them. I would also say, in behalf of the producers, that we have, to the best of our ability, tried to ascertain the wishes of the manufacturers in regard to putting up our wools, and certainly mean to try to avail ourselves of the information we have obtained here.

On motion of Dr. LORING, it was

*Voted*, That the thanks of the convention be tendered to the city authorities of Syracuse for their courtesy in granting the use of the City Hall for its sessions.

On motion of Mr. POTTLE, it was

*Voted*, That the thanks of the convention be presented to Hon. H. S. RANDALL for the ability and efficiency with which he has presided over its deliberations.

The convention then, on motion of Mr. POTTLE, adjourned *sine die*.

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*Joint report of the executive committee of the National Association of Wool Manufacturers, and of the executive committee of the National Wool-growers' Association, addressed to the United States Revenue Commission, February 9, 1866.*

NEW YORK CITY, February 9, 1866.

SIR: The undersigned have been directed by the executive committees of the National Association of Wool Manufacturers, and of the National Wool-growers' Association, assembled in convention at the city of New York, on the 17th of January, 1866, and finally adjourned on this day, to present to you, as

the member of the United States revenue commission specially intrusted with the consideration of questions of revenue applicable to wool and woollens, the following report.

We have the honor to be, very respectfully, your obedient servants.

R. W. MONTGOMERY,

*President of the Convention.*

JOHN L. HAYES, *Secretary.*

Hon. STEPHEN COLWELL, *U. S. Revenue Commission, Philadelphia.*

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The undersigned, members of the respective executive committees of the National Association of Wool Manufacturers, and of the National Association of Wool-growers, submit that the above-named associations represent a large majority of the individuals and companies now engaged in the United States in the production and manufacture of wool. The undersigned, members of the committees aforesaid, have been empowered to present to the United States Revenue Commission the views of their respective associations, and together represent, as fully as would be practicable by any organization, the whole woollen interest of the United States. To avoid circumlocution in the following statement, the personal pronoun plural *we* will be used to designate the two executive committees above named, acting jointly in their representation of the woollen interest of the United States.

We would, in the first place, call the attention of the Revenue Commission to the important fact that the present is the first occasion in the history of this country when the woollen interest as a whole has been represented before any national body. The two great branches of this interest, agricultural and manufacturing, have been divided for fifty years, just as they were for a century in England. There were no opportunities for correcting mutual misunderstandings and imparting mutual information, so necessary for comprehending the real identity of both interests. The result was, that each branch of the woollen industry approached the national councils, in invoking legislation, from its own point of view. The legislation in relation to this industry vacillated, therefore, as each interest predominated; and instability became its most characteristic feature, and checked its legitimate progress.

The recent formation of the National Association of Wool Manufacturers presented the first opportunity to the manufacturers as a body to open the way to a better understanding. The government of this association, in November last, instructed its executive committee to invite the several State organizations of wool-growers to meet them for consultation in relation to the interests which belong to them in common, and especially to consider what answers should be made to the inquiries of the United States Revenue Commission as regards the great wool-producing and wool-manufacturing industries.

This invitation was frankly accepted; and the representatives of both interests met in convention at Syracuse, New York, on the 13th day of December, 1865.

As the resolves and sentiments of that convention form the basis upon which it is hoped that the woollen interest, as a whole, is hereafter to be represented not only to the commission, but the national councils, we present to the commission copies of the resolutions passed unanimously by the convention, and a few extracts from addresses of officers and delegates, which were received without dissent, and which indicate, with great distinctness, the sentiments of both manufacturers and wool-growers as to the basis of their future relations.

Mr. E. B. POTTLE, of New York, chairman of the committee on resolutions, on presenting the report of the committee, said:

"It gives me great pleasure to say, that the series of resolutions which we shall report to this body have been agreed upon unanimously. Perfect harmony and unanimity have marked the proceedings of the committee from beginning to

end. The committee report the following resolutions for the consideration of the convention :

*"Resolved, That, of the great industries with which the people of the United States can occupy themselves to advantage, the woollen interest is especially commended for combining and developing in the highest degree the agricultural and mechanical resources of the nation.*

*"Resolved, That the mutuality of the interests of the wool-producers and wool manufacturers of the United States is established by the closest of commercial bonds—that of demand and supply; it having been demonstrated that the American grower supplies more than seventy per cent. of all the wool consumed by American mills, and, with equal encouragement, would soon supply all which is properly adapted to production here; and further, it is confirmed by the experience of half a century that the periods of prosperity and depression in the two branches of woollen industry have been identical in time, and induced by the same general causes.*

*"Resolved, That as the two branches of agricultural and manufacturing industry represented by the woollen interest involve largely the labor of the country, whose productiveness is the basis of national prosperity, sound policy requires such legislative action as shall place them on an equal footing, and give them equal encouragement and protection in competing with the accumulated capital and low wages of other countries.*

*"Resolved, That the benefits of a truly national system, as applied to American industry, will be found in developing manufacturing and agricultural enterprise in all the States, thus furnishing markets at home for the products of both interests.*

*"Resolved, That it shall be the duty of the respective executive committees of the National Manufacturers' and National Wool-growers' Associations to lay before the Revenue Commission and the appropriate committee in Congress these resolutions, together with such facts and statistics as shall be necessary to procure the legislation needed to put in practical operation the propositions therein set forth."*

The president of the convention, Mr. RANDALL, a wool-grower, said :

This convention or conference will, I trust, mark the introduction of a new era in some of the important relations subsisting between two great industrial interests. The American wool-producers and manufacturers have entertained differences of opinion on the subject of the respective duties which should be imposed on imported raw and manufactured wool. Those differences have led to repeated and severe contests in Congress, in nominating conventions, and even at the polls. The whole history of our tariff legislation on this subject has been a history of sudden, and occasionally violent changes in measures, and even in policy. Having elsewhere attempted to trace the effects of our different woollen tariffs on the two interests most directly involved, I will not repeat myself here. But I will call your attention to one great and significant fact which has been clearly established amidst all these struggles and changes. It is, that when the government has protected the manufacturer at the expense of the producer, or the producer at the expense of the manufacturer, the injurious consequences have fallen not alone on the branch of industry discriminated against, but upon both. This was inevitable; for, in reality, their interests are indissolubly connected. Neither could possibly flourish without the other, under any circumstances which have occurred in our country, or which can reasonably be expected to occur for generations to come.

Mr. BIGELOW, President of the Manufacturers' Association, said :

As more than *seventy per centum* of the wool required for our vast and varied manufactures is of home growth, the interdependence of domestic wool-growing and wool manufacturing becomes apparent. Neither one of these industries can long prosper, unless the other prospers also. Taken together, they constitute

an interest scarcely second in importance to any of the great industries which promote the welfare of the people and sustain the prosperity of the nation.

This great interest owes its present growth to national legislation, and is largely dependent on the same agency for its future success. Without the equalizing aid of discriminating custom duties, we can hold no successful competition with the accumulated capital and low wages of older countries. If the woollen interest of the United States is to continue to prosper, it must be maintained in a position to contend even-handed with the woollen interest of Germany, of France, and of Great Britain.

The only contest which can give success to our efforts lies not between ourselves as wool-growers and wool manufacturers, but between us and the wool-growers and wool manufacturers of other nations. This is a struggle that challenges our united forces, as between our selves there is no real ground of antagonism. On the contrary, we are one in interest, and should be allied in purpose.

Dr. LORING, a wool grower, said :

A recognition of the true relations which exist between the manufacturer of the east and the wool-grower of the west and south, can alone give firmness and prosperity to each. It needs no elaborate argument to prove that the domestic market for American wool should be the best market. The same prosperity which has attended the growth of manufactures in other countries must attend their growth here. That great system of free trade which exists between the States demands for the foundation of our domestic commerce an equal development of each section, and energy, activity, and success in each special branch of business. New York and Boston, the two great centres of manufactures, the two great wool markets of the country, offer facilities for trade which can be found by us in no foreign port. Lowell and Lawrence, and all the manufacturing villages of the north, afford the American wool-grower his most convenient market. And it is upon the growth and vigor of this section that the wool-producing sections of the United States must depend for their largest and most reliable, sure, and constant profits.

On the other hand, where can our mills look for the raw material out of which to manufacture certain classes of goods, with more propriety and to better advantage than to our home production, so far as it goes? The styles of wool produced within the limits of the United States are adapted to those fabrics which we have succeeded thus far in manufacturing to the largest profit. And there is no reason why the American manufacturer should not patronize that territory included within the boundaries of his own government, by providing himself with the raw material from thence, and by availing himself, in return, of that market for his manufactured goods which is good in proportion to the sale it meets with for its agricultural products.

Mr. E. B. POTTER, chairman of the committee on resolutions, and a wool-grower, observed :

I desire to say, in behalf of the committee who reported the resolutions now under discussion, that they reported them with the general expectation that we were entering upon a new era, so far as regards these two great interests, the wool-manufacturing and wool-producing interests ; and I think I may add, that the general feeling all round the committee-room was, that by-gones should be by-gones. The past cannot be recalled ; and whether the present tariff bears equally upon these two great interests or not, is a matter which cannot be determined by a resolution, however carefully drawn. But we can agree upon certain principles, upon a common platform, where we can all stand ; and on that common platform we can commence that work which we believe will be not only for our mutual interest, but for the benefit of all the interests of the country. *That was the theory upon which we prepared these resolutions.*

There can be no question—it does not argue common sense in any man to set up and maintain the contrary, upon the great principles of political economy—there can be no question, I say, that it is best for any country under heaven to produce the articles it manufactures, and manufacture the articles it produces, as far as possible. Any government that is a buyer of the products of a foreign government, when it can produce those articles itself, must of necessity be engaged in a miserable business, to the extent which it does it. As has been said by the friend who preceded me, the true wealth of a nation depends upon the products of the soil, and the labor that is bestowed in fitting those products for the use of man; and every dollar which we pay to encourage the labor of other countries, to stimulate the production of other countries, is so much taken from our own and so much taken from the actual wealth of the country. Hence it should not be surprising that we, who claim to be at least possessed of common sense, representing these two interests—the wool-growing and wool-manufacturing interests of the country—should come here prepared to lay down, in the form of resolutions, a platform affirming simply the fact of the mutuality of these two great interests; that, looked at from a proper stand-point—looked at from the stand-point which every good citizen should occupy, a stand-point which compels him to ask, not only for that which is best for him, but which is best for the whole country—looked at from that stand-point, I say, no other conclusion could be come to than that which we have put forth in these resolutions; that is, that the interests of the manufacturer and the interests of the producer are but one great mutuality, and whenever one is unduly elevated at the expense of the other the country suffers.

Mr. KINGSBURY, a manufacturer, said :

For one, I am rejoiced to find myself here face to face with the wool-growers of the country; and I rejoice to give to you, the wool-growers of the country, my pledge, that, in time to come, we, the manufacturers, will feel that our interests are mutual, and that we cannot sustain the one without sustaining the other. The wool-grower and the wool-manufacturer must go hand in hand; and if we will thus go hand in hand, I believe we can procure such legislation as shall be necessary to protect your interests, and such legislation as shall be necessary to protect our interests; so that the great wool-growing and wool-manufacturing interests of the country, now larger perhaps than any other interests, shall go on in a state of prosperity beyond even our highest expectations, and we shall loom up before the world as a people unsurpassed in our manufacturing interests.

Mr. HAZARD, a manufacturer, said:

“While I am upon this point of mutuality, which I think is one of the most important we have to discuss, I will merely remark, that perhaps, from a proper point of view, we may consider the wool-growers as the manufacturers of cloth. They are engaged in the first of a series of processes by which grass and grain are converted into cloth. There are other processes more or less divided in different countries and in different sections. Sometimes the spinning is done by one man, who transfers the yarn to another to be made into cloth; and, in England, it is quite common for the maker of the cloth to transfer it to a finisher, to be colored and finished. Now, I say we can no more separate the interest of the wool-grower and the wool manufacturer in this country than we can separate the interest of the spinner from that of the maker of the cloth, or that of the maker of the cloth from that of the finisher; they are indissolubly united together.”

In the spirit of these resolutions and sentiments we propose now to state the present condition and necessities of the woollen interest of the United States.

The number of sets of machinery or series of cards—a set forming the unit of calculation in woollen machinery—employed in the United States, reported

to the Manufacturers' Association on the 25th of October, 1865, was 4,100. The estimated number in the United States, as all were not reported, is 5,000. The distribution and weekly consumption of foreign and domestic wool appear in the following table:

*Statement of aggregate results obtained up to October 25, 1865.—In reply to circulars of February 24, 1865, and May 30, 1865, addressed to wool manufacturers.*

States.	Returns received.	Sets reported.	Weekly consumption of scoured wool in pounds.	Weekly consumption of domestic wool in pounds.	Weekly consumption of foreign wool in pounds.	Percentage of foreign wool.	Average weekly per set.	Mills to be heard from.
Maine .....	40	177	93,835	74,190	19,715	19%	530	11
New Hampshire .....	69	361	217,110	174,841	42,269	19%	601	28
Vermont .....	39	112	50,217	32,652	17,565	35	448	19
Massachusetts .....	186	1,467	857,496	560,396	297,100	34%	585	74
Rhode Island .....	61	340	182,775	152,967	35,808	19	555	15
Connecticut .....	88	452	252,880	125,486	127,394	50%	559	43
New York .....	154	576	236,510	174,536	61,974	26%	411	124
New Jersey .....	11	64	33,660	25,238	8,422	25	526	7
Pennsylvania:								
Philadelphia .....	24	68	88,900	68,650	19,550	22%	1,297	98
Remainder of the State .....	57	90	39,054	39,054	.....	.....	434	69
Delaware .....	6	15	14,050	13,050	1,000	7%	937	4
Maryland .....	1	8	5,400	2,700	2,700	50	675	2
West Virginia .....	.....	.....	.....	.....	.....	.....	.....	1
Ohio .....	44	83	32,615	32,615	.....	.....	392	34
Indiana .....	47	103	51,200	51,200	.....	.....	497	41
Illinois .....	22	47	23,355	23,355	.....	.....	454	13
Michigan .....	20	26	9,660	9,660	.....	.....	372	12
Wisconsin .....	13	25	10,800	10,800	.....	.....	432	6
Minnesota .....	1	2	1,200	1,200	.....	.....	600	2
Iowa .....	15	43	17,658	17,658	.....	.....	411	6
Missouri .....	10	21	16,650	16,650	.....	.....	793	4
Kentucky .....	7	14	6,600	6,600	.....	.....	400	7
Kansas .....	1	3	1,620	1,620	.....	.....	540	2
California .....	.....	.....	.....	.....	.....	.....	.....	1
Oregon .....	1	4	4,000	4,000	.....	.....	1,000	1
Nebraska Territory .....	.....	.....	.....	.....	.....	.....	.....	.....
Total October 25, 1865 .....	917	4,100	2,252,545	1,619,038	633,497	28%	550	624





flannels. American fancy cassimeres compare favorably in finish, fineness, and strength with those imported. Our delaines, owing, again, in a great measure, to the excellence of our merino combing-wool, surpass the fabrics of Bradford at the same price. The excellence of American shawls was admitted at the Great Exhibition in London. The dealers in American and English carpets testify that the American carpets are preferred by the best judges. The worsted manufacture, although introduced within only six years, supplies yarns, braids, bindings, hosiery goods, alpaca fabrics, and curtain stuffs of such excellence as to startle even the Bradford manufacturers, and have attained, in the brief period of six years, a yearly value of ten millions. The broadcloth manufacture, although so long suspended, has been revived, and goods exhibited at recent mechanic fairs have been declared the rivals of the best German fabrics. It is asserted by the manufacturers, that with proper relief against foreign competition, and a due supply of raw material, we can pursue with success every branch of the manufacture of woollens and worsteds, and can supply at least nine-tenths of our own consumption.

To the development of the woollen interests in this country, in all its branches, we owe our independence of foreign nations, in the supply of the most important material to our army during the late war. By our own looms we furnished in one year not less than thirty-five million garments to our soldiers, and supplied cloths for the army and navy in three years, made in our own mills, which consumed two hundred million pounds of wool. Of the cloths thus furnished, an assistant quartermaster general of the army, in charge of these supplies, officially says: "It has been demonstrated that American army cloths are much stronger than those in use in the armies of Europe."

The sheep husbandry in the United States has partaken of the vacillations which have attended the woollen manufacture, and has exhibited a decided and stable progress only within the last five years. The number of sheep in the United States, as shown by the census of 1860, was 22,471,275, and the product of wool at that period was 60,264,913 pounds. The present number is estimated at not less than thirty millions; and the quantity of wool at present produced in the United States is estimated at ninety-five million pounds.

The development of a home production of wool has been regarded of paramount importance by all enlightened governments. It has been the experience of all nations that the domestic supply of this raw material has been the first and always the chief dependence of its manufactures, and the peculiar character of this material has impressed itself upon the fabrics which each country has produced. Thus, in the fine wools of Saxony and Silesia, we have the source of German broadcloths; in the combing-wools of England, the worsteds of Bradford; and in the long merino wools of France, the origin of her thibets and cashimeres. The peculiar excellences of American wools has given origin to our flannels, our cassimeres, our shawls, and our delaines; and they give strength and soundness to all the fabrics into which they enter. In breeding sheep the American growers have made improvements which may be favorably compared to those of Bakewell and Elman, in England. They have converted the light-boned and imperfectly covered merinos, as they were when first imported from Spain, into large, round, low, strong-boned sheep, models of compactness and beauty. The excellence of the American breed has been recognized in Europe; sheep of the American improved merino breed having received at the international exhibition at Hamburg, among three hundred and fifty competing from Austria, Prussia, Germany, and France, prizes which placed them in the first rank of those exhibited. The manufacturers acknowledge that American wools, as a whole, waste less than foreign wools as now imported. While four pounds of Mestizo wool are required to make a pound of finished cloth, only two and a sixth pounds of American wools are required for a pound of finished cloth. Our domestic wools are sound, strong, and distinguished for their spin-

ing qualities. They are variably preferred for the warp, upon which the strength of the fabrics mainly depend. The great majority of the manufacturers of this country use domestic wool alone. Of 4,073 sets, 2,171 are employed wholly on domestic wool. Of 931 mills, 767 used domestic wool principally, while only forty-six mills in the whole country used foreign wool alone.

Of all the scoured wool used in the woollen mills of the United States, over seventy per cent. is of home growth. Cut off the supply of American wool, and our mills are stopped as effectually as by turning the water from the wheels which move them. We declare, therefore, with the utmost emphasis, that American wools are eminently the foundation of the prosperity of our manufactories.

While giving this pre-eminence to the domestic product, it is our duty to remove the impression, prevailing to a considerable extent, that this country can now, or in a brief period, supply economically all the varieties of wool required in existing manufactures. Long, coarse, cheap wools, such as are not produced in this country, and cannot probably be raised with profit, are consumed in the manufacture of carpets. Combing-wools, required in the manufacture of worsted, are produced in this country only to a very limited extent. The domestic supply of very fine short cloth wools, required in the manufacture of broadcloth and face goods, is at present inadequate to the necessities of the manufacture; and a moderate supply of these wools, to be mixed with our own, would increase the consumption of American wools.

While it is admitted that the duties on wool should be at least sufficient to place the American producer upon equal terms with the foreign producer or wools competing with his own, it is our duty to express the opinion that only moderate duties should be placed upon wools which do not compete with our own, and that absolutely prohibitory duties would be injurious to the manufacturer, and indirectly injurious to the wool-grower,

The resolutions which we are directed to submit to the commission declare, that sound policy requires such legislative action as shall give them (the wool-grower and wool manufacturer) equal encouragement and protection in competing with the accumulated capital and low wages of other countries." We would, therefore, call the attention of the commission to some facts and considerations having a peculiar bearing upon our own industrious relations above indicated.

In the production of wool most directly competing with his own—the Mestizo merino wool—the farmer of this country, with all the demands upon him imposed by American civilization; with school, town, county, and United-States revenue taxes; with wages doubled by war; and compelled, by the rigor of the climate, to house and feed his sheep more than half the year—must compete with the flock-master of the pampas of La Plata, where food is furnished spontaneously during the whole year; where the sheep are never housed or fed by hand, where taxes are inconsiderable, and where wages are reduced to the mere demands of physical subsistence.

The manufacturer, on his part, has to contend chiefly with the looms of Belgium, Germany, and France, which supply the greater portion of our foreign woollen fabrics. M. Bernoville, in a very careful work upon the woollen industry of France, estimates the average pay of 320,000 workmen, employed in the woollen manufacture, at one franc twenty-five centimes per day for three hundred days' work, or twenty-five cents per day. The wages paid to the persons employed in manufactures in Belgium, as obtained from the "Statistique generale de la Belgique," are in the woollen manufacture, as follows:—Men average 32 cents per day; women average 18 cents per day; boys average 13 cents per day, girls average 12 cents per day. The hours of labor, twelve to fourteen per day.

The average rates of interest from 1846 to 1860, as shown in tables of admitted accuracy, in Europe and this country, are as follows: In England 3.90, in France 4.10, in the United States 9.12; the interest in this country being

more than double the average on the other side. The cost of constructing a manufacturing establishment in Europe is shown, by reliable statements, to be one-half the cost of an establishment on this side. The cost of an establishment abroad being one-half, and the rate of interest less than one-half, the result is that the capital required for manufactures in this country is four times that required by our rivals in Europe.

We present these facts without any further argument as to the necessity of relief against foreign competition.

The question next arises as to our position under the present laws.

It is our duty to the Revenue Commission, as well as to the several interests which we represent, to submit at length our views of the operation of the present tariff laws, in their application to the production and manufacture of wool.

In order to understand clearly the object sought for in adjusting the present tariff on wool and woollens, it will be necessary to consider the operation of the two preceding tariffs, viz., those of 1846 and 1857, each of which having proved to be defective in opposite directions, suggested changes which were necessary to perfect a system equitably adjusted to the two branches of the woollen interest.

The tariff of 1846 placed, in the main, a duty of thirty per cent. upon both wool and woollens; and in some cases a less duty upon the latter than upon the former. This arrangement was justified to popular opinion by its apparent equality. But the equality existed only in name. The grower of the wool had the full benefit of the protection of thirty per cent., without any drawbacks or neutralizing duties; and the arrangement would have proved most beneficial to him, at least, if the manufacturer had continued to consume his wool. But the manufacturer, being the consumer of wool, had to pay the whole of the duty of thirty per cent. by which the grower was protected, which, when deducted from the duty on the manufactured article, left him a protection so inconsiderable as to be unavailing.

Burdened with heavy duty, and receiving no equivalent, he had to contend with a foreign rival, who had the vast advantage of obtaining his wool without duty. Waiving argument upon the theoretical question of the equality or justice of this arrangement, it is sufficient to refer to the practical fact, that the system, whether sound or not in theory, proved most disastrous in its actual results to both interests.

The manufacturers, encouraged by the policy of the tariff of 1842, had attempted the branches of manufacture requiring the utmost skill, and demanding large capital and expensive establishments. No less than eighteen hundred looms were in operation in the manufacture of broadcloths. The wool-growers, encouraged by the demand for the finest cloth-wools required in this manufacture, imported Saxony sheep, and had made progress in the growth of the finest wools, distinguished in Germany as noble wools, which, if continued, would have placed this country at the present time on an equality with Silesia in the production of such wools. The manufacturers of fine cloths found it in vain to struggle against foreign rivals, who, in addition to cheap interest and cheap labor, had the crowning advantage of free wool. The higher branches of the manufacture were abandoned; soon every one of the eighteen hundred of the broadcloth looms in the country ceased work. The only branches of manufacture continued with activity were those like flannels, which were supplied by the common wool of the country—so superior in its spinning qualities as in itself to afford an advantage over the foreign manufacture. There was no longer a demand for any but common wools. The Saxon wool husbandry ceased with the manufacture of fine cloths, which had called it into existence.

When we consider the position which Germany now has in the growth of the finer wools and the manufacture of broadcloths—supplying the whole world with the products of her flocks and looms—and remember that the co-

bonding industries of this country, if not checked by unwise though apparently equitable legislation, would have advanced in a geometrical ratio, we regard the blow which prostrated alike the wool-grower and the wool manufacturer as one of the most disastrous that has ever fallen upon the industries of our country.

Armed with arguments, derived from the state of things above described, inst giving preponderating consideration to the wool-grower, the manufacturers, on their side, approached the national councils, and invoked legislation which should regard their interest as the predominating one of the country. The result was the passage of the tariff bill of 1857, which imposed a merely nominal duty upon wool, and protected the manufacturer by a duty of twenty per cent. This tariff, although temporarily advantageous to the manufacturer, did not continue long enough in operation to furnish facts as to its effect on both interests, such as a longer experience under the tariff of 1846 had afforded. The obvious disadvantage to the manufacturer of the policy of the tariff of 1857 was its inherent instability.

The manufacturer investing large capital in structures and machinery which not be diverted to other purposes, and which may not give returns until years of operation, demands, above all things stability of legislation. This he could never expect under a system which made the agricultural interest second to his.

Influenced by these considerations, and candidly acceding to the reclamations of the wool-growers, the manufacturers cordially responded to the proposal of the Committee of Ways and Means of the thirty-seventh Congress; and particularly of the sub-committee, presided over by the distinguished member from Vermont, whose name is identified with the policy mainly due to his influence, to adjust the tariff upon wool and woollens as to give not merely nominal but absolute equality to both branches of the woollen interest.

Whatever may have been the practical working of the Morrill tariff, which is the basis of our present system, it is a matter of history that equality of adjustment was the main object of the provisions of that bill and the tariff bill of 1864, affecting wool and woollens.

The object sought in those bills was to give a sufficient protection to the wool-grower, and to place the manufacturer in the same position as if he had wool free of duty. A duty supposed to be sufficient to protect the wool-grower against wools competing with his own was placed upon such wools, and on a specific duty was placed upon woollen cloths as was supposed to be sufficient to reimburse the manufacturer for the amount of the duty paid on the wools. The ad valorem duty on the cloths was added to reimburse to the manufacturer the expenses of carrying the duty on the wools, the internal taxes, the duties on drugs and other materials used in manufacture, and to furnish the required protection.

While recognizing fully the correctness of the principles upon which the present tariff laws are based, it is our duty to point out defects in their practical operation. It has been proved by official returns that, while it was the manifest intent of the law of 1864 that the minimum rate of duty upon the class of wools most directly competing with our own should be six cents per pound, the average rate of duty upon this class of wools actually paid has been less than six cents per pound. The American producer has been thus deprived of the intended protection.

In view of the facts above stated, and of the requirements of our manufacturers for an increased supply of American wool, and in order to furnish a stimulus for its supply, and, at the same time, to secure "equal encouragement and protection to both interests," we recommend as a basis for the re-adjustment of the revenue laws applicable to wool and woollens the following propositions:

1. A provision to be inserted in the tariff laws requiring all wools now known

as Mestizo, Metz, Cape, and Australian wools, to be subjected to a duty of not less than ten cents per pound and ten per cent. ad valorem; said provision to be so worded as most effectually to prevent these and similar wools from being admitted at a less rate of duty; the rates of duty on all other wools to remain as they now are, with the exception of wools the growth of Canada, which, in the absence of treaty stipulations, shall be subjected to a duty of (blank) cents per pound.

2. All manufactures composed wholly or in part of wool or worsted shall be subjected to a duty which shall be equal to twenty-five per cent., net; that is to say, twenty-five per cent. after reimbursing the amount paid on account of duties on wool, dyestuffs, and other imported materials used in such manufactures, and also the amount paid for the internal revenue tax imposed on manufactures, and upon the supplies and material used therefor.

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T. S. FAXTON,  
EDWARD HARRIS,  
J. W. EDMANDS,  
S. W. CATTELL,  
H. KINGSBURY,  
THEODORE POMEROY,

*Executive Committee of the National Association of Wool Manufacturers.*

HENRY S. RANDALL,  
E. B. POTTLE,  
E. HAMMOND,  
R. M. MONTGOMERY,  
GEORGE B. LORING,

*Executive Committee of the National Wool-growers' Association.*

JOHN L. HAYES,

*Secretary of the Joint Committee.*

*Report of the executive committee of the National Wool-growers' Association relative to duties on wool, made to the United States Revenue Commission, April, 1866.*

In estimating the importance of sheep husbandry to our country, and the expediency of fostering it by all necessary and proper legislation, the following facts are to be kept in view:

1. Wool is an absolute necessary of life. In the climate of the United States it has, for the purposes of clothing, no attainable substitute.

2. Sheep furnish an animal food, the more extended use of which would promote the health of our people and diminish the expense of subsistence.

3. Sheep are generally conceded to be more profitable than other domestic animals in converting coarse vegetable products into the manure necessary to sustain the fertility of soils which are devoted to the cultivation of products consumed by man. Owing, in a good measure, to sheep husbandry, the wheat soils of England, after ages of tillage, produce more of the cereals than they did ages ago. Their average product of wheat is twenty-six bushels to the acre, double that of the wheat soils of the United States. England has one sheep to one and three-quarters of an acre, while Ohio and Vermont has one to four and a half acres, New York one to six and a half acres, Iowa one to twenty-four acres, and the whole United States together one to fifty-seven acres. For the want of this, or some equivalent means of preserving fertility, the soils of some of our own older States, once highly productive, have degenerated almost below the

point of remunerative cultivation ; and the newer States are more or less rapidly deteriorating wherever arable husbandry is practiced.

Sheep also are far more efficient than any other domestic animal in improving lands which are too poor to be devoted profitably to other purposes than pasturage, and as they improve them, they actually lead to the spontaneous production of better grasses, thus saving the cost and injurious effects of ploughing them to seed down. On hill-sides subject to the washing of rains when ploughed, this is a consideration of particular importance. Sheep, too, are far the best cleaners up of new lands infested with the sprouts of the removed forest trees, briars, weeds, &c., thus rendering themselves powerful auxiliaries of the pioneer, and of all who have occasion to clear forest lands in regions where such vegetation follows clearing.

#### ADAPTATION OF THE UNITED STATES TO WOOL PRODUCTION.

The United States are capable of producing as good wool of every description as any countries the sun shines on. This has never been denied by persons who can pretend to any practical information on the subject, except in the case of fine broadcloth wools. In respect to these it has been claimed that American wools lack the softness and felting properties of certain foreign wools, even when the diameter of the fibre is the same, and that therefore they cannot be wrought into as perfect and finished fabrics.

Horatio N. Slater, of Webster, Massachusetts, the most experienced and extensive broadcloth manufacturer in the United States—who annually manufactures nearly 2,000,000 pounds of wool—recently declared to the chairman of this committee that wools of the higher grades of fineness, even up to the fineness of German “picklock,” were quite extensively grown in the United States, before the tariff of 1846 overthrew our broadcloth manufactures and the production of the wools adapted to them. He declared that he used and fully tested these wools, and that they were as good in every particular, worked into as perfect and finished cloth, as wools of the same fineness grown in any other country. He allowed this important testimony to be taken down in writing in his presence, with permission to use it as should be seen fit.

In regard to the special properties of American medium and grade wools, we have equally conclusive testimony. The following sentences are from a recent document signed by Erastus B. Bigelow and J. Wyley Edmands, of Boston, Massachusetts; Theodore S. Faxton, of Utica, New York; Edward Harris, of Woonsocket, Rhode Island; S. W. Cattell, of Philadelphia; N. Kingsbury, of Hartford, Connecticut; and Theodore Pomeroy, of Springfield, Massachusetts, now as distinguished manufacturers of different kinds of woollen fabrics as there are in the United States, and selected, on account of that eminence, to constitute the present executive committee of the “National Association of Wool Manufacturers.” After mentioning the amount of woollen goods manufactured in the United States for the year ending June 30, 1864, they proceed to say:

“The country has not only gained by the addition of this large sum to the national resources, but has been greatly benefited by the superiority of American fabrics. In a class of fabrics entering perhaps more largely than any other into general consumption—that of flannels—the superiority due principally to the admirable adaptation of the common wools of this country, their strength and spinning qualities, is so marked as almost wholly to exclude the foreign flannels. American fancy cassimeres compare favorably in finish, fineness, and strength, with those imported. Our delaines, owing again, in a great measure, to the excellence of our merino combing-wool, surpass the fabrics of Bradford at the same price. The excellence of American shawls was admitted at the great exhibition in London.”

And they subsequently add :

"It has been the experience of all nations that the domestic supply of this raw material has been the first and always the chief dependence of its manufactures, and the peculiar character of this material has impressed itself upon the fabrics which each country has produced. Thus, in the fine wools of Saxony and Silesia, we have the source of German broadcloths; in the combing-wools of England, the worsteds of Bradford; and, in the long merino wools of France, the origin of her thibets and cashmeres. The peculiar excellences of American wools have given origin to our flannels, our cassimeres, our shawls, and our delaines, and they give strength and soundness to all the fabrics into which they enter."

In the class of very coarse wools—carpet wools—such as Donskoi, Cordova, and Valparaiso, the United States could unquestionably produce them in their greatest perfection, were it profitable for us to grow them. But it is not usual to raise rye on land which will yield an equal amount of wheat.

#### COMPETING WOOLS.

The principal wools, except combing-wools, competing with those of the United States, are grown in the Argentine Republic, South Africa, Australia, New Zealand, and Russia. Those of the Argentine Republic are grown in Buenos Ayres, and are usually known, collectively, in commerce under the name of Mestiza wools. They are classed as merino and Mestiza, Nos. 1, 2, and 3. "Merino" ranks in fineness with our "Saxony;" Mestiza No. 1 and No. 2 with the two highest grades of American merino; Mestiza No. 3 with our grade and common wools. The Mestiza wools possess good felting properties, but all of them lack the soundness and strength of American wools. Some of our manufacturers of cassimeres, doeskins, &c., use them exclusively, but more generally American wool is mixed with them sufficiently to compose half the warp, in order to make it spin and encounter the other processes of manufacture without breaking. In plain broadcloth, the whole warp is one-third; in twilled broadcloth, as forty-five to fifty-five; in doeskins, a little more than half.

While it is conceded that the intimate incorporation of the fibres which takes place in a thorough process of felting leaves the cloth less dependent upon the direct strength of its threads than is the case with worsteds and like fabrics, it would be contrary to every principle of physics to suppose that a weak wool will make as strong cloth, or, other things being equal, one possessing as good *wearing* qualities, as a materially stronger wool. It is not claimed that Mestiza wool possesses any counterbalancing advantage over our wools. Mr. Slater's testimony is decisive on that point.

The South African or "Cape wools" are about as fine as Mestiza, and are sounder and cleaner. Fine wools are not, at present, imported in sufficient amounts from other countries to render a separate description of them important.

#### EXPORT OF COMPETING WOOLS TO THE UNITED STATES.

The following table gives the amount, value, and average price per pound of wool exported from Buenos Ayres to the United States from 1855 to 1865, inclusive:

Year.	Amount.	Value.	Price per pound.
	<i>Pounds.</i>		
5.....	5,966,969	\$627,718	\$0 10.5
6.....	5,672,939	588,403	10.3
7.....	5,758,519	694,736	12.0
8.....		946,467	} 113.0
9.....		1,274,172	
10.....		1,226,841	
11.....		1,787,334	
2.....	5,786,868	838,850	14.4
3.....	17,461,208	2,577,765	14.7
4.....	23,951,506	3,618,431	15.1
5.....	16,103,889	2,223,643	14.3
Total.....	120,969,698	16,404,470	13.0

Not returned, but estimated, from value returned, to amount for the four years to 1867,800 pounds. † Estimated.

The following table embraces the same particulars in relation to the wool exported to the United States during the same period from the British possessions in Africa :

Year.	Amount.	Value.	Price pr. lb.
	<i>Pounds.</i>		
5.....	495,937	\$104,211	\$ 00 21.00
6.....	206,045	39,408	19.12
7.....	792,084	183,426	23.15
8.....		536,118	.....
9.....		587,014	.....
0.....		1,023,436	.....
1.....		1,010,111	.....
2.....	3,920,257	665,480	16.97
3.....	6,711,975	1,179,707	17.57
4.....	13,717,900	2,415,145	17.60
5.....	8,312,263	1,533,796	18.45
Total.....		9,277,852	19.12

## COMPARATIVE COST OF PRODUCTION.

In Buenos Ayres a shepherd, with his dogs, and some occasional assistance in children, takes all the care, besides shearing, of one thousand sheep, summer and winter. His almost unvarying subsistence is hard biscuits and fried mutton. He does not even raise the materials for or make the former, but procures them from town or city.\* He cultivates no esculent vegetables, uses no milk, butter, or any of the other simple luxuries to be found in every farmhouse in the United States. His house is a hovel of unburnt bricks, containing by the most scanty and primitive furniture. His fuel is dried dung from the bottom of the sheep-fold. The warmth and equability of the climate render his necessary clothing of little cost. In short, all his material modes of life are as

\* " Sheep Farming on the Pampas," by Reverend G. D. Carrow, late superintendent of missions of the Methodist Episcopal Church in South America. Report of Committee of Agriculture, 1864.



rude and unexpensive as those of the semi-savage state. In a country without public or private improvements, and almost without established institutions, he contributes as little to the expenses as he shares in the benefits of civilization.

It is not here necessary to show the separate items of cost of wool production in Buenos Ayres. The article being grown exclusively for export, and without connexion with or benefit to any other husbandry, it may be assumed that its market price covers cost and a profit, or else the production would be abandoned. We have seen that the market price in the city of Buenos Ayres averages about thirteen cents a pound.

The average quantity and annual market price of wool in the United States from 1827 to 1861, inclusive—a period of thirty-five years—is made to appear, by a table prepared originally at the request of the chairman of this committee, by the late George Livermore, the eminent wool merchant of Boston, whose name is an ample guarantee of its entire accuracy. The average price of fine wool for the whole period was 50.3 cents per pound; of medium, 42.8 cents; of coarse, 35.5 cents—average of the whole, 42.8 cents. This supposes the wool in market, charges paid, and currency generally at the gold standard.

When the profits of a commodity are large compared with those of other commodities, its production is expected to increase rapidly. In what proportion did the growing of wool increase in the United States during the period above specified? We have not the number of our sheep in 1830. It appears by the census reports that the number in 1840 was 19,311,374; in 1850, 21,723,220; in 1860, 23,268,915. Sheep thus only increased twenty and a half per cent. in twenty years, while population increased between seventy and eighty per cent. The aggregate value of the imports of wool for ten years ending 1850 was \$10,063,609; for ten years ending 1860, \$30,428,157—an increase approaching to 200 per cent. We shall get a better view of the increase in the imports of woollens by going further back. Their aggregate value for—

Ten years ending 1830 was .....	\$86, 182, 110
Ten years ending 1840 was .....	129, 336, 258
Ten years ending 1850 was .....	109, 023, 152
Ten years ending 1860 was .....	282, 682, 830

Under this showing, it is proper to assume that, taking all the sheep of our country together, the market price of wools from 1827 to 1861 was not more than barely remunerative. But for the other uses of sheep besides wool-growing, which have already been described, they would have produced no profit to their owners.

The present decade has introduced a new era in the cost of all kinds of agricultural production. The price of labor and subsistence is now more than double the average from 1827 to 1860, and double what it was only ten years ago. It is made to appear by the concurrent testimony of leading wool-growers in our principal wool-growing States, recently drawn forth by inquiries made to them by this committee, at the request of the United States Revenue Commission, that a competent shepherd, or laborer on a sheep farm, now receives, on the average, \$300 per annum, and that his subsistence costs \$150. It requires one laborer, aided by the agricultural labor-saving machines now common, to take the summer and winter care of three hundred sheep in Ohio, New York, or Vermont; *i. e.*, keep buildings, fences, and implements in repair, sow and harvest the grain, mow and feed out the hay, and do all the other work necessary to be done on a sheep farm in the climate of those States. The expense of labor, therefore, for 300 sheep is \$450, or \$1.50 per head. The cost of ordinary sheep farms is about \$30 per acre, and such farms, including wood land and waste land, will support, taking one year with another, say two and a half sheep to the acre. It requires to work the farm a span of horses, harness, wagon, sleigh, mowing machine, horse-rake, plough, harrow, cultivator, fanning mill,

chains, shovels, hoes, axes, scythes, pitchforks, and other articles, costing in all say \$581, and lasting on the average twelve years. This expense, including interest and taxes on the articles, feed of team, &c., appears somewhat disproportionate if made applicable to only three hundred sheep, because it would require but a trifling addition to it to meet the wants of six hundred sheep. But, on the other hand, it may be said of many of the articles that if used more they would not last so long.

It is an old estimate, and is generally esteemed a safe one, that flocks under every different variety of situation and treatment, subjected to all the ordinary and extraordinary casualties to which they are incident, do not, taking a term of years together, increase more than twenty-five per cent. per annum in value. State, county, and town taxes greatly vary, but we adopt what we believe to be a mean, when we place them at two per cent. on valuation. But the assessed valuation generally falls from twenty-five to thirty-three per cent. below the actual value. In estimating cost of transportation we have also been obliged to take a mean between places on railroads and near markets, and the interior of remote western States, where wool must be hauled many miles in wagons before it reaches railroad or water lines of communication with the market. In estimating the value of manure we have only credited the sheep with the surplus over and above that necessary to keep up the original fertility and consequently actual value of the portions of the farm devoted to the raising of grain, &c.

The average weight of fleeces in the United States in 1840, was 1.84 lbs.; in 1850, 2.42 lbs.; in 1860, 2.73 lbs. It appears by the census of 1860 that the six following States gave the subjoined averages:

	Weight of fleeces.
Vermont.....	4.00 lbs.
Ohio.....	3.47 "
New York.....	3.22 "
Illinois.....	3.19 "
Michigan.....	2.77 "
Iowa.....	2.52 "

The whole averaging within a fraction of 3.20-lbs. Nearly all the wool was washed.

The cost of producing wool per pound, and the counterbalancing advantages received from its production, may be estimated, on the basis of the data already presented, as follows:

	Cents.
To cost of labor and subsistence at \$450 per annum, per lb. of wool...	46.86
Interest on land, 7 per cent., at \$30 per acre, per lb. of wool.....	26.25
Interest on sheep, at \$4 per head, per lb. of wool.....	8.75
Interest on team and implements, costing \$581, per lb. of wool....	4.23
Wear and tear of team and implements, per lb. of wool.....	5.04
State taxes on valuation of land, say \$20 per acre, per lb. of wool..	5.00
State taxes on valuation of sheep, say \$3 75 per head, per lb. wool.	2.34
State taxes on valuation of teams and implements, \$435, per lb. wool.	.90
Federal taxes on implements, per lb. of wool.....	.33
Cost of salt, one barrel to 100 sheep, per lb. of wool.....	1.25
Cost of tar, marking materials, &c., &c., per lb. of wool.....	.31
Transportation to market, commissions, insurance, &c., per lb. wool.	4.00
	<hr/>
	105.26
	<hr/>

CR.		Cents.
By improvement on flock, 25 per cent., per lb of wool.....		31.25
Surplus of manure, (\$50) per lb. of wool.....		5.20
		<u>36.45</u>
Net cost of a pound of wool in currency.....		68.81
Premium on gold, \$1 25.....		13.76
		<u>82.57</u>
Cost of a pound of wool in gold.....		55.05
Pounds of wool in a pound of cloth.....		2 1-6
		<u>2 1-6</u>
Cost of wool for a pound of cloth.....	\$1	19.27
		<u><u>\$1 19.27</u></u>

## COMPARATIVE CONDITION OF AMERICAN AND MESTIZA WOOLS.

In comparing the market value of American with competing wools, their usual condition must be taken into account. The Mestiza wools are imported in the yolk and dirt, always large in amount in unwashed merino wool; and the mode of treatment and handling in Buenos Ayres mixes them, to some extent, with loose dirt or sand. They contain a hard bur, taken up from the trefoil, which is universal on the pampas, and which constitutes a portion of the winter feed of the sheep; and this can only be removed from the wool by processes which occasion considerable waste; and finally, the weakness of the fibre causes a constant, and, as compared with American wool, unusual loss of material in all the processes of manufacture.

Statements taken from the books of the "Proctorville Woollen Mill," in Vermont, and information from other reliable sources placed before us in authenticated and responsible form, show conclusively that it requires about four pounds of Mestiza wool to make a pound of finished cloth. The same amount was formerly made by two pounds of *washed* American wool; but washing is now less perfectly performed, and a small amount of our wool is brought unwashed into the market, so that taking the average of the whole, 2 1-6 pounds are required for a pound of cloth.

## COST OF MESTIZA WOOLS.

The cost in this country of Mestiza materials for a pound of cloth, including the duty we propose, is as follows, in gold:

	Cents.
Average cost of wool, per pound .....	13.00
Port charges, and export duty, per pound .....	2.00
Expense of transportation, &c., 27½ per cent. per pound.....	3.57
Proposed duty per pound 10 cents and 10 per cent. per pound.....	11.30
	<u>29.87</u>
Pounds of wool in a pound of cloth .....	4
	<u>4</u>
Cost of wool for a pound of cloth.....	\$1 19.48
	<u><u>\$1 19.48</u></u>

## PRICES OF WOOL UNDER TARIFFS OF 1861 AND 1864.

Assuming the present average duty paid on Mestiza wools to equal five cents per pound—though it is a trifle less—the actual cost in our market to the importer of these wools is, for the materials of a pound of cloth, 94.28 cents, or 25.12 cents less than the cost of producing the domestic materials. Under the tariff of 1861 the foreign wool had a still greater advantage.

The following table of wool prices in New York, from 1861 to 1865, inclusive, was prepared for us by Messrs. Tellkamp & Kitching, eminent wool merchants of that city:

*Average prices of wool at New York.*

For the years—	Gold rates.	Ohio.		New York.		Illinois.		Bue. Ayres.		Cape.	
		Currency.	Gold.	Currency.	Gold.	Currency.	Gold.	Currency.	Gold.	Currency.	Gold.
1861—First quarter.....			41-43		40-42		39-42		19-23		23-29
Second quarter.....			41-43		40-42		39-42		19-22		23-29
Third quarter.....			34-40		34-38		32-35		18-20		22-26
Fourth quarter.....			48-52		45-49		43-46		21-23		23-27
1862—First quarter.....	103	50-55	48-53	47-52	45-50	46-48	44-46	22-24	21-23	24-28	23-27
Second quarter.....	105	47-51	45-49	45-49	43-47	43-46	41-44	20-23	19-22	24-28	23-27
Third quarter.....	117	52-55	44-47	48-50	41-43	47-49	40-42	21-24	18-20	26-32	23-27
Fourth quarter.....	131	57-62	43-47	55-57	42-43	53-55	40-42	21-24	16-18	29-34	22-26
1863—First quarter.....	154	73-77	47-50	69-72	45-47	63-67	41-43	28-33	18-21	35-41	23-27
Second quarter.....	148	80-83	54-56	77-79	52-53	69-72	47-49	29-35	20-24	35-43	24-29
Third quarter.....	130	72-76	55-57	70-73	54-56	63-65	48-50	26-30	20-23	30-40	24-31
Fourth quarter.....	150	73-78	42-52	68-73	46-49	66-69	44-46	26-33	17-22	33-44	22-29
1864—First quarter.....	160	75-79	47-49	70-74	44-46	67-72	42-45	27-35	17-22	35-46	22-29
Second quarter.....	184	80-82	43-45	73-77	40-42	68-72	37-40	27-40	14-22	38-48	21-26
Third quarter.....	249	101-107	41-43	94-100	38-40	87-96	35-39	33-54	15-22	58-72	23-29
Fourth quarter.....	225	95-103	42-44	90-95	40-42	85-95	38-42	43-55	15-24	52-66	23-30
1865—First quarter.....	198	95-104	48-53	90-97	45-49	83-99	42-50	36-47	18-24	50-64	25-32
Second quarter.....	146	73-78	50-53	63-68	43-44	60-70	41-47	27-36	18-25	35-44	24-30
Third quarter.....	144	70-75	48-52	60-65	42-45	50-65	35-45	26-37	18-26	35-43	24-30
Fourth quarter.....	143	69-75	48-52	59-63	41-44	52-65	36-45	26-37	18-26	35-44	24-30

The tariff of 1861 took effect April 1 of that year, and the tariff of 1864 July 1 of that year. It will be seen that the gold prices of Mestiza wool, in 1864, averaged 18.87 cents per pound, and in 1865, 21.62 cents. This is slightly lower than our estimate of its cost in our market, making allowance for the difference in duties; and we learn from reliable sources that it was imported at a loss.

Taking New York wools, which occupy a medium place in prices, in the preceding table, between those of Ohio and Illinois, we find the annual prices per pound, in gold and currency, as follows:

	1861.	1862.	1863.	1864.	1865.
Gold.....	Cents. 41.25	Cents. 44.25	Cents. 50.25	Cents. 41.50	Cents. 44.12
Currency.....		50.37	72.62	84.12	70.62

The average price per pound in gold, during the whole five years, was 44.07 cents, one cent and two mills higher than the average of 1861, and the thirty-four preceding years. The average per pound in currency for four years, was 69.42 cents, or 26.63 cents higher than the average of the thirty-five preceding years. But, in reality, New York wools are above the average quality of those grown in the States from which we have derived supplies since 1860. Taking all the American wools sold in our markets since that year, they have unquestionably sold at a lower gold rate than the average of the thirty-five preceding years.

Yet, in the face of these facts, the production of sheep and wool rapidly increased during these years. Estimates of their increase, furnished to us from the Department of Agriculture, are as follows:

Years.	No. of sheep.	Pounds of wool.
1860.....	23, 268, 915	60, 511, 341
1866.....	36, 000, 000	117, 000, 000

Much of this estimate is necessarily based merely on conjectural data, and we regard it as a very high one, although the increase was, doubtless, more rapid than at any preceding period, unless during the war of 1812, and the "Saxon" mania of 1824-'28. The stimulus to this extraordinary production was the war, or the state of things produced by it. After the business of the country recovered from its first depressing effects, wool bore a high price in currency. Ordinary men make no distinction in their minds, or in their practical pecuniary transactions, between gold and a legal-tender currency. It was believed, in the popular phrase, that "King Cotton was dead"—in other words, that this staple would never be cultivated to anything like its former extent, and that wool would supply its place. The flourishing condition and rapid increase of our woollen manufactures were thought to foreshadow a corresponding increase in the demand for the raw material. It was anticipated that the restoration of the Union, and the reopening of the southern markets, would still further promote the growth of those manufactures and of that demand. And, finally, it appeared inevitable that the immense accumulation of public debt would require an amount of duties to be levied on imports which would afford needed protection to all branches of industry. Influenced by such considerations, wool-growers increased their flocks as rapidly as possible. A strong desire to obtain improved animals prevailed, and extraordinary prices were paid for them.

The utter fallacy of the wool-growers' expectations has already become apparent, unless there shall be a prompt increase of protection. While Mestiza wools, multiplied in their production by our vast demand during the war, can supply our manufactories with all, or nearly all, the materials for many of our most important fabrics, such as broadcloths, cassimeres, doeskins, &c., and with a portion of the materials for many more; while these weak, inferior wools make fabrics as good in *appearance* as American wools; and while they can undersell American wools in our own markets at least twenty-five cents in the amount of wool necessary for a pound of cloth, it must be expected that the latter will find only unremunerating prices and an uncertain and languid market. And this is what is now being witnessed. Taking the period since the last clip together, the gold prices of American wool have not probably equalled those of the thirty-five years ending with 1861. And much of the clip has not yet gone to market. Regions which formerly swarmed with eager wool-buyers have, in many instances, scarcely been visited by one since the close of the war. This has occurred while the cost of the labor and subsistence employed in the production remains at double former rates.

At the request of the Revenue Commission, we recently addressed inquiries to many of the most experienced and intelligent wool-growers of the United States, to obtain their views in regard to the condition and prospects of sheep husbandry.

in their several localities. They concurred in the statement that an advance in duties on foreign competing wools is necessary to save this branch of industry from revulsion and extreme depression. The State, county, and town wool-growers' associations, spreading over the principal wool-producing States, and embracing a vast body of growers, have, in their public discussions, and, in many instances, in official resolutions, taken the same ground. Congress is now flooded with petitions on the subject. Most of these petitions ask legislation substantially concurring with the draught of the bill which, at the instance of the Revenue Commission, we shall herewith submit. None ask less duties than those named in the proposed bill. Should the present inadequate scale of duties remain in force, sheep will probably decrease as rapidly within the next five years as they have increased within the last five. Should the necessary relief be delayed even beyond the present session of Congress, discouragement will seize on the minds of the producers, and a tide of reaction will set in which, though it may be arrested hereafter, will produce most disastrous consequences to the wool-growing interest. It will lead to serious sacrifices, repress enterprise, and divert it into other channels, and chill that spirit of improvement which has been so rapidly increasing the value of our own sheep, and bringing the best sheep of every other clime to our shores.

We have aimed at moderation in the amount of protection which we ask. We would impose no unnecessary burdens on the consumers. We would introduce no overaction among growers. Stability in tariff legislation can only be attained by avoiding extremes, and stability in this particular is necessary to a healthy and steady growth of this and every other great protected interest. The proposed duties do not, as the figures have shown, leave any margin of actual profit to the growers of such sheep in the United States as yield only the average quantity of wool per head grown in Vermont, Ohio, New York, Illinois, Michigan, and Iowa in 1860, namely, 3 2-10 pounds. Profits will have to be sought in improvement—in growing better producing sheep; and we are quite willing that such a condition to success should exist.

The grounds on which equal duties per pound are asked on combing-wools, which are imported principally from Canada, are different from the preceding. We do not here compete with essentially cheaper labor or subsistence, or more favorable situations in any particular, for growing wool. We ask these duties because these wools are highly valuable in the production of goods, and being used for light fabrics, the duties will not bear so heavily on the consumer; because such duties will foster an infant and important branch of sheep husbandry; and because, if the Canadian people are to enjoy the benefits of our market, we see no good reason why they should not share in the burdens attached to it.

The duties named in draught of bill on the coarse, hairy carpet wools, which compete with none grown, or which can be profitably grown at present in the United States, are proposed for revenue purposes only.

We have pointed out considerations which render sheep husbandry highly important to our national interests. There are others which are almost too obvious to require mention. The home production of wool is necessary to render us properly independent of foreign powers, in peace and war, in obtaining our supplies of an article on which the lives and health of all our people depend. It is necessary to national economy, for no great agricultural country can afford to import its most important and costly raw materials, especially from countries which take but little raw or manufactured commodities in return. It is necessary, in the already-quoted words of the executive committee of the National Association of Wool Manufacturers, to furnish "the first and always the chief dependence" of our woollen manufactures. It is necessary to supply our people with strong, serviceable cloths, in the place of the comparatively weak and unserviceable ones manufactured from much the larger portion of the cloth wools now imported. Finally, it is necessary to extend and complete the circle

of diversified industry on which the wealth and independence of nations so much depend.

We submit to the Revenue Commission the following proposed draught or bill of duties on wool:

**SEC. —** *And be it further enacted,* That from and after the passage of this act, in lieu of the duties now imposed by law on the articles hereinafter mentioned, there shall be levied and collected, on all unmanufactured wool, hair of the alpaca, goat, and other like animals, imported from foreign countries, the duties herein provided. All wools, hair, &c., as above, shall be divided, for the purpose of fixing the duties to be charged thereon, into three classes, to wit:

**Class 1—Clothing wools:** That is to say, merino, Mestiza, Mets or Metis wools or other wools of merino blood, immediate or remote; down clothing wools; and wools of like character with any of the preceding, including such as have been heretofore usually imported into the United States from Buenos Ayres, New Zealand, Australia, Cape of Good Hope, Russia, Great Britain, Canada, and elsewhere, and also including all wools not hereinafter described or designated in classes two and three.

**Class 2—Combing-wools:** That is to say, Leicester, Cotswold, Lincolnshire, down combing-wools, Canada long wools, or other like combing-wools of English blood, and usually known by the terms herein used; and also all hair of the alpaca, goat, and other like animals.

**Class 3—Carpet wools and other similar wools:** Such as Donskoi, native South American, Cordova, Valparaiso, native Smyrna, and including also such wools of like character as have been heretofore usually imported into the United States from Turkey, Greece, Egypt, Syria, and elsewhere.

For the purpose of carrying into effect the classification herein provided, a sufficient number of distinctive samples of the various kinds of wool, hair, &c., embraced in each of the three classes above named, selected and prepared under the direction of the Secretary of the Treasury, and duly verified by him, (the standard samples being retained in the Treasury Department,) shall be deposited in the custom-houses and elsewhere, as he may direct, which samples shall be used by the proper officers of the customs to determine the classes above specified, to which all imported wools belong. The duty upon wools of the first class the value whereof at the last port or place whence exported to the United States, excluding charges in such port, shall be thirty-two cents or less per pound, shall be ten cents per pound, and, in addition thereto, ten per cent. ad valorem; the duty upon wools of the same class the value whereof at the last port or place whence exported to the United States, excluding charges in such port, shall exceed thirty-two cents per pound, shall be twelve cents per pound, and, in addition thereto, ten per cent. ad valorem. The duty upon wools of the second class, and upon all hair of the alpaca, goat, and other like animals, the value whereof at the last port or place whence exported to the United States, excluding charges in such port, shall be thirty-two cents or less per pound, shall be ten cents per pound, and, in addition thereto, ten per cent. ad valorem; the duty upon wools of the same class the value whereof at the last port or place whence exported to the United States, excluding charges in such port, shall exceed thirty-two cents per pound, shall be twelve cents per pound, and, in addition thereto, ten per cent. ad valorem. The duty upon wools of the third class the value whereof at the last port or place whence exported into the United States, excluding charges in such port, shall be twelve cents or less per pound, shall be three cents per pound; the duty upon wools of the same class the value whereof at the last port or place whence exported to the United States, excluding charges in such port, shall exceed twelve cents per pound, shall be six cents per pound: *Provided,* That any wool of the sheep, or hair of the alpaca, goat, and other like animals, which shall be imported in any other

ban the ordinary condition as now and heretofore practiced, or which shall be changed in its character or condition, for the purpose of evading the duty, or which shall be reduced in value by the admixture of dirt or any other foreign substance, shall be subject to pay twice the amount of duty to which it would otherwise be subjected, anything in this act to the contrary notwithstanding: *Provided further*, That when wool of different qualities is imported in the same bale, bag, or package, it shall be appraised by the appraiser, to determine the rate of duty to which it shall be subjected, at the average aggregate value of the contents of the bale, bag, or package; and when bales of different qualities are embraced in the same invoice at the same price, whereby the average price shall be reduced more than ten per cent. below the value of the bale of the best quality, the value of the whole shall be appraised according to the value of the bale of the best quality; and no bale, bag, or package shall be liable to a less rate of duty in consequence of being invoiced with wool of lower value: *And provided further*, That the duty upon wool of the first class which shall be imported *washed* shall be twice the amount of duty to which it would be subjected if imported *unwashed*; and that the duty upon wool of all classes which shall be imported *scoured* shall be three times the amount of the duty to which it would be subjected if imported *unwashed*. The duty on sheep skins, raw or unmanufactured, imported with the wool on, washed or unwashed, shall be ——— per cent. ad valorem; and on woollen rags, shoddy, mungo, waste, and flocks, shall be twelve cents per pound.

HENRY S. RANDALL,

*Chairman Executive Committee*

*National Wool-growers' Association.*

HON. STEPHEN COLWELL,

*Of the United States Revenue Commission.*

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*Statement of the executive committee of the National Association of Wool Manufacturers, relative to proposed duties on wool and woollens, with explanatory key, addressed to the United States Revenue Commission, May, 1866.*

SIR: The duty having devolved upon you to report to Congress a project of tariff upon wool and the manufactures of wool and worsted, the suggestion was approved by you, that the representatives of the National Association of Wool Manufacturers should meet the representatives of the several organizations of wool-growers, for the purpose of consultation in relation to the representations to be made and the facts to be presented respecting the wool-producing and wool-manufacturing interests before the United States Revenue Commission. In consequence of this suggestion, a convention of wool-growers and wool manufacturers was held in the city of Syracuse, New York, in December last. The result of this convention was a protracted conference, in the city of New York, of the executive committees of the national associations of wool-growers and wool manufacturers, and the adoption of a joint report recommending to the Revenue Commission certain propositions as a basis for the adjustment of the revenue laws applicable to wool and woollens. Subsequently the executive committee of the National Association of Wool Manufacturers had a full conference with you personally at Philadelphia in relation to the provisions of a tariff to be framed in conformity with the propositions recommended in the joint report above referred to. The provisions in relation to the duties on wool having been considered by you, it was proposed at the interview in Philadelphia to assemble representatives of the various branches of the woollen and worsted manufacture to furnish the information necessary to adjust the duties on manu-



factures. In response to this proposal, you suggested that the manufactures could be more conveniently assembled at the rooms of the national association; and that you would consider as the basis for your action and report, such facts and data as might be collected and arranged by the executive committee of that association. You also suggested that the executive committee of the manufacturers should prepare for consideration a draught of provisions in relation to the duties upon manufactures, founded upon such information as they might obtain, and the propositions before referred to.

In conformity with these suggestions, the executive committee of the National Association of Wool Manufacturers have called, from day to day, meetings of persons practically engaged in all the different branches of the woollen and worsted industry pursued in this country, without regard to membership of the association, and have pursued inquiries with express reference to adjusting a tariff upon manufactures in conformity with the principles jointly agreed upon by the executive committees of the wool-growers and wool manufacturers. The committee have encountered the difficulty familiar to all experienced in framing tariffs of duties, of adjusting all the practical details affecting complicated interests in strict conformity with any theory. They believe, however, that the provisions herewith submitted to your consideration, as regards the great mass of the woollen and worsted goods manufactured and consumed, are strictly conformable to the theory of the joint report; and that such exceptions as may be found have as close a conformity with the theory of that report as could be secured by practical legislation.

The committee have the honor to call your attention to the following draught of tariff provisions respecting manufactures of wool and worsted, and to a statement of the facts and considerations upon which the proposed provisions are founded:

*"And be it further enacted,* That, on and after the day and year aforesaid, the duties to be levied, collected, and paid on the importation of the articles hereinafter mentioned shall be as follows, that is to say: on woollen cloths, woollen shawls, and all manufactures of wool of every description made wholly or in part of wool, not otherwise provided for, fifty-three cents per pound, and, in addition thereto, thirty-five per cent. ad valorem; on flannels, blankets, endless belts, or felts for paper or printing machines, hats of wool, knit goods, balmorals, woollen and worsted yarns, and all manufactures of every description, composed wholly or in part of worsted, the hair of the alpaca, goat, or other like animals, except such as are composed in part of wool, not otherwise provided for, valued at not exceeding forty cents per pound, twenty-five cents per pound; valued at above forty cents per pound, and not exceeding sixty cents per pound, thirty-five cents per pound; valued at above sixty cents per pound and not exceeding eighty cents per pound, forty-five cents per pound; valued at above eighty cents per pound, fifty-three cents per pound; and, in addition thereto, upon all the above-named articles, thirty-five per cent. ad valorem.

"On women's and children's dress-goods and Italian cloths, composed wholly or in part of wool, worsted, the hair of the alpaca, goat, or other like animals, valued at not exceeding twenty cents the square yard, six cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; valued at above twenty cents the square yard, eight cents per square yard, and, in addition thereto, forty-five per cent. ad valorem: *Provided:* That on all goods weighing four ounces and over per square yard, the duties shall be fifty-three cents per pound, and, in addition thereto, thirty-five per cent. ad valorem.

"On clothing ready made, and wearing apparel of every description, composed wholly or in part of wool, worsted, the hair of the alpaca, goat, or other like animals, made up or manufactured wholly or in part by the tailor, seam-

stress, or manufacturer, except knit goods, fifty-three cents per pound, and, in addition thereto, forty-five per cent. ad valorem.

"On Aubusson and Axminster carpets, and carpets woven whole for rooms, fifty per cent. ad valorem; on Saxony, Wilton, and Tournay velvet carpets, wrought by the Jacquard machine, seventy-five cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on Brussels carpets, wrought by the Jacquard machine, forty-eight cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on patent velvet and tapestry-velvet carpets, printed on the warp or otherwise, forty-four cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on tapestry Brussels carpets, printed on the warp or otherwise, thirty cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on treble ingrain, three-ply and worsted chain Venetian carpets, nineteen cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on yarn, Venetian, and two-ply ingrain carpets, fourteen cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on druggets and bockings, printed, colored, or otherwise, twenty-five cents per square yard; on hemp or jute carpeting, six and a half cents per square yard; on carpets and carpeting of wool, flax, or cotton, or parts of either, or other material not otherwise specified, forty per cent. ad valorem: *Provided*, That mats, rugs, screens, covers, hassocks, bed sides, and other portions of carpets or carpeting shall be subjected to the rate of duty herein imposed on carpets or carpeting of like character or description, and that the duty on all other mats, screens, hassocks, and rugs, shall be forty-five per cent. ad valorem; on oil-cloths for floors, stamped, painted, or printed, valued at fifty cents or less per square yard, — per cent. ad valorem; valued at over fifty cents per square yard, and on all other oil-cloth, except silk oil-cloth, — per cent. ad valorem."

The proposition in relation to the duties on manufactures recommended in the "joint report" is as follows:

"All manufactures composed wholly or in part of wool or worsted shall be subjected to a duty which shall be equal to twenty-five per cent. net—that is to say, twenty-five per cent. after reimbursing the amount paid on account of duties on wool, dyestuffs, and other imported materials used in such manufactures, and also the amount paid for the internal revenue tax imposed on manufactures, and upon supplies and materials used therefor."

The object of this communication is to show the reasonableness of this proposition, and the consistency therewith of the proposed tariff provisions above submitted.

The American manufacturer is engaged in a perpetual struggle with the manufactures of Europe for the possession of the markets of this country. In this strife the European wool manufacturer possesses the advantage, which would be overwhelming if not counteracted by special legislation, of having the raw material of his manufacture free from duty. Great Britain, Belgium, the Zollverein, (including Prussia, Saxony, and twenty-one other States,) and the Netherlands, have totally abolished the duties on wool, while the duties in Austria and Russia are merely nominal. This policy has been adopted, in spite of the earnest reclamations of the agricultural interests in those countries, as an indispensable measure of protection to their woollen manufactures. A similar policy has been advocated in former times by the manufacturers of this country. But the commercial principles of Europe can never be safely applied, without qualification, to a country differing so essentially in its condition and interests as ours does from European nations. No measures of protection could materially increase the production of wool in the thickly settled countries of the Old World. England has one sheep to an acre of her land; France, one to three acres; while the United States, with a soil and climate adapted to the growth of every variety of wool, has only one to forty acres. The extension of sheep husbandry

would be eminently beneficial to the agricultural interests of the country, and a sufficient supply of the strong and sound domestic wools would be invaluable to the manufacturer. The rapidity with which the production of wool can be increased by favoring circumstances has been illustrated during the last five years, the annual production having increased within that period from sixty to ninety-five millions of pounds. The manufacturers, therefore, admit that it is for their interest and the public benefit that duties should be imposed upon wool sufficient to place the American producer upon equal terms with the foreign producer of wools competing with his own.

The manufacturer is enabled to make this concession by the incorporation into our recent tariff laws of a principle which aims to make him independent of the duties on the raw material. This principle is, that, whatever may be the duties upon wool, the manufacturer, in addition to the usual duties for revenue and protection, is to be placed in the same position as if he had his wools free of duty. This principle has been adopted as a fundamental one, to enable the American manufacturer to contend with his foreign rival, who has his wool free of duty. This principle involves also a necessary readjustment of the tariff on woollens whenever a change is made in the duties upon wools. This principle was first incorporated in our tariff laws by the present chairman of the Committee of Ways and Means, Mr. Morrill. It was contained in the bill known as the Morrill tariff bill, and continued in the provisions of the tariff bill of 1864, respecting wool and woollens.

The "joint report" of the wool-growers and manufacturers says, in relation to these provisions:

"The object sought in these bills was to give a sufficient protection to the wool-grower and, place the manufacturer in the same position as if he had his wool free of duty. A duty supposed to be sufficient to protect the wool-grower against wool competing with his own was placed upon such wools; and such a specific duty was placed upon woollen cloths as was supposed to be sufficient to reimburse the manufacturer for the amount of the duty paid on the wools. The *ad valorem* duty on the cloths was added to reimburse to the manufacturer the expenses of carrying the duty on the wools, the internal taxes, the duties on drugs and other materials used in manufacture, and to furnish the required protection."

The correctness of these principles is fully recognized in the "joint report" of the wool-growers and manufacturers.

It will be instructive to exhibit in some detail the manner in which this principle of placing the manufacturer in the same position as if he had his wool free of duty was applied in the tariff bills of 1861 and 1864.

In framing the tariff of 1861, it was admitted that the wools coming into competition with the American wool-grower, or displacing American fine wools in the manufacture of cloth, were a class of wools costing at that time, in 1861, from eighteen to twenty-four cents per pound, these wools consisting principally of the class known as Mestiza and Cape wools. The tariff acts of 1861, with the object of affecting the Mestiza and Cape wools, provided that, "On all wools unmanufactured, the value whereof at the last port or place from whence exported to the United States exceeding eighteen cents and not exceeding twenty-four cents per pound, there should be levied, paid, and collected a duty of three cents per pound."

It was the concurrent testimony of experienced manufacturers that four pounds of Mestiza wool, of the class coming within the prices designated, and paying a duty of three cents per pound, are required to make a pound of finished cloth. That all doubt might be removed as to the correctness of this statement, which furnishes the most essential element for calculating the amount of duties required for woollen cloths, the committee have sought to obtain memoranda of actual experiments made without reference to any discussion of tariff questions. They

have obtained from the books of the "Proctorville Woollen Mill," situated in the State of Vermont, a statement of the semi-annual production of cloth, the consumption of wool in making such cloth, and the weight of each yard of cloth manufactured. From this statement, it appears that certain lots of cloth made in that mill from the first day of January, 1865, to the last day of June, inclusive—to wit, six months—and from the first day of July, 1865, to the last day of December, 1865, were manufactured wholly from Mestiza wool. The accounts of the mill show that there were manufactured in the mill, wholly from Mestiza wool, in the first six months, 77,320 yards of black cassimeres; that  $32\frac{4}{10}$  ounces of wool, as purchased in the market, were consumed in the manufacture of each yard of said 77,320 yards of cloth; and that the average weight per yard of the cloth was  $8\frac{2}{10}$  ounces; or, in other words,  $32\frac{4}{10}$  ounces of wool were required to make  $8\frac{2}{10}$  ounces of finished cloth. The accounts of the mill show that, in the last six months, there were manufactured, wholly from Mestiza wool, 79,606 $\frac{3}{4}$  yards of black doeskins; that the average weight of said doeskins was  $8\frac{2}{10}$  ounces per yard; and that  $31\frac{1}{10}$  ounces of wool were required to make  $8\frac{2}{10}$  ounces of such cloth.

The fact, then admitted, and since so fully corroborated, that four pounds of wool, paying a duty of three cents per pound, are required to make a pound of cloth, formed the basis of the tariff upon woollens in the bill of 1861. The main provision in that bill, in respect to woollen goods, was, that there should be levied, collected, and paid the following duty: "On woollen cloths, woollen shawls, and all manufactures of wool of every description, made wholly or in part of wool, not otherwise provided for, a duty of twelve cents per pound, and, in addition thereto, twenty-five per cent. ad valorem. This provision included the mass of woollens manufactured in this country, and all those manufactured from the class of wool referred to, competing with American wool. Three cents, the duty upon this wool, multiplied by four, the number of pounds of wool in a pound of finished cloth, make twelve cents. A specific duty of twelve cents was, therefore, first given to the manufacturer as the precise amount (with the exception of charges to be hereafter reverted to) necessary to reimburse the duties he would have to pay for the protection of the wool-grower before he could take the first step to convert the wool into cloth. By receiving this specific duty, he was simply placed in the same position as if he had his wool free. The specific duty involved, therefore, not one cent of protection to the manufacturer; the sole provision for his benefit being contained in the clause giving him, in addition to the specific duty, an ad valorem duty of twenty-five per cent.

Notwithstanding the impulse given to the whole woollen interest of the United States by the passage of the tariff bill of 1861, it was found, in practical operation, that the duty on wool was placed too low to enable the American to contend upon equal terms with the foreign wool-grower. The duties on wool were therefore re-adjusted by the tariff bill of 1864, the one now in operation.

That bill was framed with the intention, that the class of wools before mentioned, competing with American wools, which, under the bill of 1861, paid a duty of three cents per pound, should pay a duty of six cents per pound, the duty being doubled. The main provisions of this bill respecting wool were: first, that there should be levied on "all wool unmanufactured, the value whereof at the last port or place from whence exported to the United States, exclusive of charges in such ports, shall be twelve cents or less per pound, three cents per pound;" this provision being intended to apply wholly to the coarse long wools which do not compete with our own. Secondly, that the duty should be upon all wools "exceeding twelve cents per pound, and not exceeding twenty-four cents per pound, six cents per pound;" this provision being intended to apply to the washed coarse wools, and also to the wools before named competing with our own and forming the mass of the foreign wools used in the American manufacture of woollen cloths. To preserve the principle adopted in 1861, it became

necessary to increase the specific duty to be given to the manufacturer. Four pounds of such wools entering into a pound of cloth—and six cents, the duty, multiplied by four being twenty-four cents—that sum was fixed as the specific duty to be given to the manufacturer, to reimburse him for the duty which he pays for the benefit of the wool-grower. The ad valorem duty, provided for the protection of the manufacturer, was raised from twenty-five to forty and forty-five per cent. The increase in the ad valorem duty was made upon the ground that the manufacturer was compelled to pay, besides the duty on wool, duties upon dyestuffs and other imported materials used in manufacturing, ranging from two to three cents per pound of cloth, and also the expenses of carrying these duties; and it was further contemplated that, by the provisions of the revenue bill under consideration at the same time with the tariff bill, that the manufacturer would have imposed upon him an onerous revenue tax not previously provided for. And it was estimated that, when the neutralizing duties upon dyestuffs, the expenses of carrying the duties, and the revenue taxes, should be deducted from the forty and forty-five per cent., the manufacturer would not, in fact, receive a greater protection than under the tariff of 1861.

The doctrine has thus been distinctly recognized by the legislation of Congress, that the manufacturer is to be fully reimbursed the duties imposed upon his raw materials, in addition to the usual duties for revenue and protection.

This is in substance the principle recognized in the proposition of the "joint report" in relation to manufacturers; and it involves the proposition before asserted, that a change in the duties on wool requires a readjustment of the duties on manufactures of wool. A material change in the duties on wool is now demanded by the wool-growers of the United States. The most essential change proposed by the wool-growers, and assented to by the manufacturers, is the imposition of a minimum duty of ten cents per pound, and ten per cent. ad valorem, upon all clothing wools, or the wools which enter into the composition of woollen cloths, shawls, flannels, blankets, knit goods, and the great bulk of the woollen manufactures of the country, with the exception of carpets and worsted goods. From statements furnished by importers of wool, it appears that the average price of Mestiza wools, which are the principal competing wools, may safely be taken to be fifteen cents per pound. The ad valorem duty upon this price would be  $1\frac{1}{2}$  cent, and the whole duty would be  $11\frac{1}{2}$  cents.

The provisions proposed by the committee, and rendered necessary by the proposed change in the duties on wool, aim to accomplish two objects: first, to fix the specific duties at rates which shall be simply compensatory for the duties on the wool and other material; and, secondly, to establish an ad valorem duty which, besides providing for the revenue tax on manufactures, shall leave the manufacturer simply a net protection of twenty-five per cent. With some exceptions, which will be specially explained hereafter, the ad valorem duty on manufactures of wool and worsted is fixed at thirty-five per cent., ten per cent. being fixed as an equivalent for the internal revenue tax of six per cent. on manufactures and on articles consumed in manufacturing, and twenty-five per cent. as protection to the manufacturer. That ten per cent. is not more than an equivalent for six per cent. revenue tax will appear from considering that, the customs duty being levied on the foreign value and the internal tax on the home value, a larger percentage of the former than of the latter will be required to make a given sum.\* To state a case for illustration, quite closely conformable to present home and foreign values: A yard of cloth sells in our market for \$1 50, which would cost abroad only \$1 50. In that case, exactly ten per cent. customs duty would be required on the latter sum, to equal the six per cent. internal tax

\* It has been found by careful calculations made since this statement was written, that ten per cent. on the foreign cost of all articles does not cover the amount of the six per cent. tax on their home value, as may be seen by reference to the annexed key, page 455.

on the former. In the case stated, the ten per cent. would not be a full equivalent for the whole internal revenue tax, as such taxes must also be paid upon articles consumed in manufacturing.

To determine the amount of reimbursing specific duties which the manufacturer should receive as an equivalent for the proposed increased duty on wool, we must, in the first place, apply the rule adopted in the present and preceding tariff bills, and multiply the proposed duty on the wool,  $11\frac{1}{2}$  cents, by four, the number of pounds of wool to a pound of finished cloth, which would give 46 cents. To this should be added the duties upon drugs, dyestuffs, and other imported materials, although these are provided for, in the present tariff, under the ad valorem clause. The duties are estimated, from authentic data, at an average of  $2\frac{1}{2}$  cents to a pound of cloth, making the whole direct duty on the raw material  $48\frac{1}{2}$  cents. But the manufactures are subject not only to this duty directly, but to charges and expenses in consequence of the duty. Six months at least must elapse from the time of paying the duty on the raw material, before payment is received for his finished goods. He is, therefore, entitled to interest for six months upon the whole duty upon the raw material, which, at seven per cent., the average rate of interest, would be  $3\frac{1}{2}$  per cent. He is also subject to charges for commissions on sales and guarantees, which commissions are increased in amount in proportion to the amount of the duty. The average rate of these commissions, as determined by reliable statements, is  $6\frac{1}{2}$  per cent. The two items of interest and commissions on sale and guarantees together amount to ten per cent., which, upon the whole duty, is  $4\frac{8.5}{100}$  cents, which sum should be added to the direct duty on raw material to fully reimburse him.

The elements of the specific duties on woollen cloths and woollens would be as follows :

Duty on 4 lbs. of wool, at $11\frac{1}{2}$ cents per lb.....	46 cents.
Duty on drugs, dyestuffs, &c., per lb. of cloth.....	$2\frac{1}{2}$ cents.
Total duty on raw material.....	$48\frac{1}{2}$ cents.
Charges for carrying duty, at 10 per cent. on same.....	$4\frac{8.5}{100}$ cents.
Amount of reimbursing specific duties.....	$53\frac{8.5}{100}$ cents. 53/

In the proposed tariff on woollen manufactures, the committee have placed the specific duty on "woollen cloths, woollen shawls, and all manufactures made wholly or in part of wool, not otherwise provided for," at 53 cents per pound, the specific duty on the same goods being 24 cents under the present tariff. Nothing less than a specific duty of 53 cents per pound on such manufactures will be sufficient to place the manufacturer in the same position as if he had his raw material free of duty—a position which he must demand as an imperative necessity for the preservation of his industry. The committee do not hesitate to affirm that, independently of considerations of general public policy demanding a duty on wool, the wool manufacturers of this country would prefer the total abolition of the specific duties, provided they could have all their raw material duty free, and an actual net protection of twenty-five per cent.

It will be observed that no provision is made in the tariff bill proposed for the admission of the class of goods under consideration at lower duties in proportion to the diminution of the foreign cost, as provided in other portions of the bill. The minimum principle has been expressly excluded from woollen cloths, for the purpose of shutting out those made of shoddy, mungo, and waste. Cloths costing less than 80 cents per pound must be made to a greater or less extent of these materials. Fabrics which the consumer cannot ordinarily distinguish from cloths composed of sound wool are made, containing as much

as eighty per cent. of these substitutes for wool. These goods, if admitted at moderate duties, would take the place of our sound cloths; and the American manufacturer would be compelled to reduce the price of his cloths by fabricating them of the same worthless material, or surrender the business to the foreigner. By the provisions of the bill, on wools, recommended by the executive committee of the wool-growers, a duty of twelve cents per pound is to be placed upon shoddy, mungo, and waste, in lieu of the present duty of three cents. The American manufacturer will thus have but little inducement to adulterate his cloths, if so disposed. It is but justice to the American manufacturer, and for the benefit of the wool-grower and consumer, that equally stringent duties should exist against shoddy cloths. If cheap cloths should be admitted under low duties, this country would be inundated by the wretched fabrics of Batley, twenty-five thousand workmen in England being employed in converting shoddy and mungo into cloths of an annual value of thirty million dollars, and consuming sixty-five million pounds of these materials—more than our whole clip of wool in 1860. American wool would have no competitor so formidable, if the barriers against shoddy goods existing in high specific duties should be removed.

The proposed bill next provides that the duty shall be :

"On flannels, blankets, endless belts, or felts for paper or printing machines, hats of wool, knit goods, balmorals, woollen and worsted yarns, and all manufactures of every description, composed wholly or in part of worsted, the hair of the goat, alpaca, or other like animals, except such as are composed in part of wool, not otherwise provided for, valued at not exceeding forty cents per pound, twenty-five cents per pound; valued at above forty cents per pound, and not exceeding sixty cents per pound, thirty-five cents per pound; valued at above sixty cents per pound, and not exceeding eighty cents per pound, forty-five cents per pound; valued at above eighty cents per pound, fifty-three cents per pound; and, in addition thereto, upon all the above-named articles, thirty-five per cent. ad valorem."

The system of minimums, or a series of the lowest valuations to which certain specific duties can be applied to given ranges of goods, is proposed for the articles above enumerated, for the purpose of adjusting the specific duties, as nearly as is practicable, to the proportions of wool paying the increased duties which the enumerated articles may contain, in order that the specific duties on the goods may be merely compensatory for the duties on the wool. While this system could not be adopted for cloths, for the reasons before given, there are no such objections to its application to the last enumerated articles, as, within the valuations mentioned, shoddy, mungo, and waste will not enter into their fabrication. The highest minimum is fixed at eighty cents per pound; flannels, blankets, hats of wool, and knit goods costing above this value, must be composed of clothing wool, paying a specific duty of  $11\frac{1}{2}$  cents per pound, and requiring four pounds to a pound of finished goods. It is clear that the reimbursing specific duty upon these goods should be fifty-three cents, at which they are fixed in the proposed bill. It is considered that cotton, or wool paying less duty, will enter somewhat into the composition of the woollen goods costing less than eighty cents per pound and more than sixty cents; therefore, a lower specific duty, viz., forty-five cents, is given to these goods. As the valuation diminishes, it is supposed the proportions of cotton, or wool paying the lowest duty, increase, and the specific duties are proportionally diminished. The lowest minimum is fixed at forty cents per pound. In the tariff at present in operation, the lowest minimum on blankets is fixed at twenty-eight cents per pound. The exclusion of this minimum is advocated as a necessity for the blanket industry of this country. England possesses a great advantage in competing with the American manufacture of blankets in commanding the waste of her worsted

wool. English blankets costing less than forty cents per pound are composed of this material, while lower grades are composed of shoddy from coarse woollens, waste cotton, and jute. A high minimum for the exclusion of these worthless goods will benefit the consumer no less than the manufacturer, as the American manufacturer will be restricted in the use of shoddy and waste by the high duties proposed on those articles.

The objection is made to the system of minimums, that they are unequal in their operation between the different points of valuation, and that they afford a temptation to the importer to invoice goods at a lower price than those of the class to which they properly belong. To meet the latter objection, it is necessary to fix the valuations sufficiently high to give the limitation intended. This system, upon the whole, is the only one which can be devised to meet the object earnestly sought for in the proposed tariff, the adjusting of specific duties on woollen manufactures approximately to the duties paid on the raw material. Its operation is illustrated in the case of blankets. The highest-priced American blankets, being made of clothing wool, will have the highest specific duty. The lower-priced blankets, being composed more or less of wool paying the lower duty, will correspondingly diminish specific duties, while those with warps of coarse wool, and filling of fine wool paying a higher duty, will pay the intermediate rates.

It is believed that the provisions under consideration operate more equitably than those of the present tariff in respect to a most important and rapidly developing industry—that of knit goods. Under the present tariff, the duty on shirts, drawers, and hosiery of wool, or of which wool shall be a component material, not otherwise provided for, is fixed at twenty cents a pound, and in addition thirty per cent. ad valorem; the specific duty being four cents and the ad valorem duty being ten per cent. less than upon woollen cloths. The wool which enters into a majority of these goods is fine American fleece, and, if wholly composed of wool, they would be clearly entitled to the same duty as woollen cloths. A large class of knit goods, including the fancy hosiery, a rapidly advancing and peculiarly American industry, furnishing goods of great beauty and taste, and consuming the most expensive aniline dyes, is made wholly of American clothing wool. These goods, which would cost more than eighty cents per pound, would bear, under the bill proposed, a specific duty of fifty-three cents, and the same ad valorem duty as is provided for other goods. Another class of knit goods has a portion of cotton, which is introduced to prevent shrinkage. It would be impracticable to separate the goods composed wholly of wool from those partially composed of cotton, by placing a less duty on the latter, as all foreign competing goods, whatever their value, would have some cotton placed in them to bring them within the lower duty. The distinction is sufficiently provided for by the minimum scale of duties. It is desirable that the specific duties on the knit goods should be sufficiently ample to secure full compensation, as the waste in hosiery goods from cutting, trimming, and fitting is greater than in other woollen fabrics, while there is a large consumption of trimmings, such as bindings, tape, spool cotton, silk, buttons, linen thread, &c., on which duties are paid. The industry of knit goods is entitled to special consideration from the national importance which it has already attained. The number of sets of machinery employed upon this class of goods is estimated by a committee of the National Association of Knit Goods Manufacturers at 400. The number of hands employed, men, women and children, is estimated at 10,000. The aggregate amount of wages paid is set down at \$3,000,000 per annum. The amount of wool consumed, at 6,500,000 pounds per annum. The production of the 400 sets is estimated at \$19,200,000 per annum, paying a revenue tax of \$1,152,000.

Worsted yarn, and manufactures composed wholly or in part of worsted, are provided for in the section of the proposed bill now under consideration, with



certain manufactures of wool, no distinction being made in the specific duty proposed. It is admitted that, in proposing the same specific duties for worsted as for woollen goods, the specific duties on the worsted manufactures will be more than compensatory for the duties on the wool of which they are composed, as two pounds of Canada combing or worsted wool are required to make a pound of worsted goods. A portion of the specific duty on worsteds will, therefore, be protective to the manufacturer, as shown by the following statement :

The duties on Canada combing-wool, of which worsteds are made, as provided in the proposed tariff on wool, will be, at 45 cents per pound, the present average price of Canada wool, 12 cents specific, and ten per cent. ad valorem, or 16 $\frac{1}{2}$  cents per pound. Two pounds of wool being required for a pound of worsted goods, the amount of duty on the wool for a pound of worsted goods, paid by the manufacturer, will be 33 cents. To this is to be added 10 per cent. for charges on the duty, as before explained, making 36 $\frac{3}{4}$  cents as the sum the manufacturer would require to reimburse the duties on the wool. The specific duty proposed on worsted goods, valued at over eighty cents per pound, is 53 cents; deducting from this sum 36 $\frac{3}{4}$  cents, there would remain 16 $\frac{7}{10}$  cents per pound as protective above the compensatory duty. The amount of the protection afforded by the specific duty would vary from eight to fifteen per cent., according to the character and value of the goods; but, added to the net ad valorem, protection would be in some cases less, and in no case more, than the amount of net protection under which the present worsted manufacture was called into existence.

This exception to the general policy of the bill proposed is advocated on grounds of public expediency, and would appear to be vindicated by the peculiar conditions and necessities of the worsted manufacturers in this country. The recent extraordinary development of the worsted manufacture in this country is due to two causes: the command of long-combing wools of Canada, free of duty under the reciprocity treaty, such wools being used almost exclusively, to the extent of about four millions of pounds annually; and the duty under the Morrill tariff of 50 per cent., the whole of which, after deducting the duties on dyestuffs and the revenue tax, was operative as a protection, and was peculiarly effective during the war. Under this stimulus the worsted manufacture, which has grown up almost wholly within six years, now supplies yarns, braids, hosiery, alpaca fabrics, and certain stuffs of such excellence as to equal the English manufacturers, the yearly value attained being not less than ten millions of dollars. With the high duty now operating upon Canada wools, the manufacturers have already largely succumbed; and it is evident that, even a compensatory duty on the wool will not sustain the industry, unless the whole amount of net protection originally afforded under the present tariff is continued; no more is now asked for. The same measure of protection afforded to well-established industries, like those of woollen goods, cannot be sufficient for an interest just struggling into existence. It has been the established policy of this, as well as of all other industrial nations, to give ample protection to manufactures in their infancy. That the fostering influence of the government is still imperatively demanded by this interest, so hopefully commenced and now checked so disastrously, will be apparent from the following passages from a report of a committee appointed to represent the present condition and necessities of this manufacture :

"The manufacture of worsted yarns and braids, &c., has come into existence during the past four or five years, but mostly during the past two or three. We estimate that there are now forty establishments in the business, representing a capital of from four to five million dollars, and employing five or six thousand hands.

"These concerns are not large corporations on the scale of many cotton and woollen companies, existing previously to the war, but mainly small mills with moderate assets and quick capital, and especially dependent upon close economy

and attention for success. These small mills are introducing into the country in the best way the worsted manufacture, educating workmen, and gaining experience for the future growth of this manufacture in all the varieties now flourishing in England and Germany.

"Nearly all the permanent investments in factories and machinery have been made during the highest range of rates of gold and exchange, most of the expensive combing and spinning machinery having been imported. Having no existence before the war, it is impossible to compare this manufacture with others whose history and conditions are totally different, and whose mills, machinery, and experience have been paid for before with gold at par. In consequence of starting a new business with a lack of skilled workmen, and under high prices, we believe that up to this time the worsted business has not averaged a profit of five per cent. upon the capital employed—less, in fact, than the government has received from it through the internal revenue tax—while some have lost largely."

The encouragement of the worsted manufacture is further recommended by considerations of public policy, such as its relations to agricultural interests in developing the culture of the long-wool and mutton sheep, so important to the agricultural wealth of England. Without enlarging upon this topic, the committee beg to refer to the accompanying "statement of facts relative to Canada wools and the manufactures of worsted" for full details illustrative of the national importance of this industry.

The proposed bill next provides that the following duty shall be levied and collected:

"On women's and children's dress goods and Italian cloth, composed wholly or in part of wool, worsted, the hair of the alpaca, goat, or other like animals, valued at not exceeding twenty cents per square yard, six cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; valued at above twenty cents the square yard, eight cents per square yard, and, in addition thereto, forty-five per cent. ad valorem: *Provided*, That on all goods weighing over four ounces and over per square yard the duties shall be fifty-three cents per pound, and, in addition thereto, thirty-five per cent. ad valorem."

The provision for goods not exceeding twenty cents per square yard has express reference to such as compete with delaines, a most important and characteristic branch of our manufactures, and consuming the fleece of the American merino, the sheep at present most in favor with the wool-growers of this country. The price of all the wool in delaines will be affected by the proposed change of duties on wools. Delaine fabrics require, therefore, a compensatory specific duty of 53 cents per pound. The specific duty of six cents is closely adjusted to effect this compensation.

The wool part of sixteen running yards of a cotton warp delaine, 22 inches wide, weighs one pound, which is equivalent to one pound for 10 square yards; 53 cents, the duty on a pound of wool, is equal to  $5\frac{3}{10}$  cents per square yard, which sum would be exactly compensatory for the duty on the wool. To this must be added the duty on drugs and other imported materials, and the proposed duty on cotton, which would be more than  $\frac{7}{10}$  cent. The duty of six cents per square yard proposed will be scarcely sufficient to reimburse the amount paid for duties and charges on all the materials. The ad valorem duty proposed is the same as on woollen goods. Delaines constitute at present the great bulk of the stuff goods manufactured in this country; and it will be perceived that the duty proposed for them is in exact conformity with the principle agreed upon in the joint report.

The provision as to dress goods, valued at above twenty cents the square yard, relates to alpacas, some Italian cloth, coburgs, merinoes, and similar stuff fabrics, involving great skill and much labor in their fabrication. Some of these fabrics, such as coburgs, are made of the finest American merino fleece and

Mestiza wool, to which the 53 cents specific duty should be applied. Others, as the alpacas and Italian cloths—the latter fabric extensively used for linings, and for making which extensive machinery has been very recently put in operation—are made of Canada wools. It would be impossible, in fixing the specific duties on these goods, to apply strictly the rule adopted for delaines and woollen goods. The duties, both specific and ad valorem, applied to the articles now under consideration, have been determined, after deliberate consultation with those engaged in making these goods, with reference to the absolute necessities of the manufacture. The remarks made generally in relation to the necessity of encouraging the worsted manufactures apply with peculiar force to these special manufactures. These manufactures, so auspiciously commenced, and opening the most promising of the undeveloped fields of American textile industry, employing in England and France more capital and labor than all other branches of the woollen interest, will inevitably die out unless favored by national legislation.

The proviso in relation to all goods weighing four ounces and over per square yard is inserted to prevent cloakings and heavy goods, which should pay duty as cloth, coming in at a less duty as dress goods, because adapted to women's and children's wear.

It is unnecessary to urge the propriety of placing the same specific duty on ready-made clothing as on cloth, as the maker of such clothing will be compelled to pay the whole amount of the increased duty on cloth consequent upon the duty on clothing wools. A higher ad valorem duty upon clothing is recommended from considerations of public policy not directly affecting the manufacturer of cloth. The proposed ad valorem rate on ready-made clothing is ten per cent. higher than that upon cloth. The higher rate is recommended by the increased labor in that manufacture, by the great loss of material in cutting and fitting, and more especially by the consideration that ample protection of this industry is necessary to afford employment to the needy sewing women in the large towns and cities, who depend chiefly upon this industry for their subsistence.

The provisions in relation to carpets, comprising the only remaining portions of the proposed bill to be considered, are as follows :

"On Aubusson and Axminster carpets, and carpets woven whole for rooms, fifty per cent. ad valorem; on Saxony, Wilton and Tournay velvet carpets, wrought by the Jacquard machine, seventy-five cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on Brussels carpets wrought by the Jacquard machine, forty-eight cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on patent velvet, and tapestry velvet carpets, printed on the warp or otherwise, forty-four cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on tapestry Brussels carpets, printed on the warp or otherwise, thirty cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on treble ingrain, three-ply, and worsted chain Venetian carpets, nineteen cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on yarn, Venetian, and two-ply ingrain carpets, fourteen cents per square yard, and, in addition thereto, thirty-five per cent. ad valorem; on druggets and bockings, printed, colored, or otherwise, twenty-five cents per square yard; on hemp or jute carpeting, six and a half cents per square yard; on carpets and carpeting of wool, flax, or cotton, or parts of either, or other material, not otherwise specified, forty per cent. ad valorem; provided that mats, rugs, screens, covers, hassocks, bed-sides, and other portions of carpets or carpeting, shall be subjected to the rate of duty herein imposed on carpets or carpeting of like character or description, and that the duty on all other mats, screens, hassocks, and rugs, shall be forty-five per cent. ad valorem; on oil-cloths for floors, stamped, painted, or printed, valued at fifty cents or less per square yard, — per cent. ad valorem; valued at over

ifty cents per square yard, and on all other oil-cloth, except silk oil-cloth, — per cent. ad valorem.

The position of the carpet manufacture under the present revenue laws is fully set forth in a "statement of facts addressed to the United States Revenue Commission," early in January last, by the representatives of five of our large carpet-manufacturing companies, a copy of which is herewith transmitted. This statement, made under oath, was prepared with great care from the books of the companies represented, and may be relied upon as strictly accurate. It shows that with gold at par, and with the present "advance in wages and expenses consequent upon the war," this branch of manufacture receives an average net protection of less than seven and a half per cent. Excluding from the table, on page sixth, of the statement just referred to, the item of "advance in wages and expenses," which is more or less contingent upon the financial condition of the country, even then, on the basis of cost which existed before the war, the percentage of present protection does not exceed sixteen per cent. The proposed duty on Canada wool will reduce this percentage still lower on fine carpets; for one-fifth part, at least, of the worsted required for tapestry Brussels velvet, Jacquard Brussels, and Wilton carpets, is necessarily made of that or similar wool, subject to pay a like duty. The duties on carpets, therefore, necessarily require revision, and they have been adjusted in the proposed bill on the same basis as the duties on woollen goods; that is to say, the specific duties per square yard have been fixed at rates which will scarcely countervail the amount to be paid on account of the duties on the material used, while the ad valorem rate is the only part of the duty which can be regarded as protective in any degree, and by which the internal revenue taxes are to be reimbursed. The following table shows the amount of the neutralizing duties on the materials required for a running yard and for a square yard (the ingrainings being a yard wide and all the others three-fourths of a yard wide) of each of the standard qualities of the principal varieties of carpets made in the United States, and the charges to which the manufacture is subjected on account of such duties. By comparison of the specific duties proposed upon carpets, in the draught of the bill submitted, with the totals of neutralizing duties and charges per square yard, as exhibited in the table, it will be seen that the specific duties proposed are in all cases less than such duties and charges.

*Table showing the amount of duties and charges on the materials used in the manufacture of a running yard and a square of the leading varieties of carpets; the fractions of cents and of ounces being expressed by decimals.*

Items.	Ingrain carpets.		Tapestry carpets printed on the warp.		Carpets wrought by the Jacquard machine.	
	Two-ply.	Three-ply.	Brussels.	Velvet.	Brussels.	Wilton.
<i>Neutralizing duties and charges, viz.:</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
Duties on the wools used.....	11. 70	15. 23	11. 80	17. 71	24. 92	39. 36
Duties on the linen or tow yarn.....	6	8	6	8	6	8
Duties on drugs and other imported materials.....	2	2. 50	3	4. 50	3	4
Totals of neutralizing duties.....	13. 70	17. 73	20. 80	30. 21	33. 92	51. 36
Charges on account of duties, 10 per cent. .	1. 37	1. 77	2. 08	3. 02	3. 39	5. 13
Totals of neutralizing duties and charges per running yard.....	15. 07	19. 50	22. 88	33. 23	37. 31	54. 49
Totals of neutralizing duties and charges per square yard.....	15. 07	19. 50	30. 50	44. 31	49. 75	75. 32

\* The mode of computing these duties is explained in the annexed key.

† The basis of the charges on account of duties on materials is explained on page 14.

The committee have not deemed it incumbent upon them, in the present communication, to discuss any general considerations relating to the tariff policy.

They have aimed only to show that the measures commended to the attention of the commission contemplate, with the exceptions distinctly pointed out, simply a compensatory specific duty, and a net protection barely sufficient to equalize the disparity in the rates of wages and interest on capital in favor of our foreign competitors. They would observe, in conclusion, that the duties imposed on manufactures should be ample, as, through evasions of the law, the full amount is rarely collected. In your report upon "the relations of foreign trade to domestic industry and internal revenue" you have shown the depressing effect which foreign trade, as now organized, is exerting upon American industry. You have shown that "the factories, workshops, and workmen are in Europe, while the warehouse is in New York;" that "goods intended for the warehouse are invoiced at the factory cost, and are entered at our custom-house at that price;" and that foreign "commercial parasites" co-operate in New York "to debauch and mislead our officers, and nullify the laws pertaining to our commerce and industry." No class suffers more severely from these illicit attacks upon our industry than the wool manufacturers of this country. The rendering of grossly fraudulent invoices is systematically practiced and openly vindicated by the manufactures of Germany, Austria, and France, who principally supply the foreign woollen goods consumed here. It is well known that goods cannot be purchased in the markets of those countries at the prices at which they are invoiced. Foreign factories are now running night and day to flood the United States with woollen goods fraudulently invoiced, while our mills are being stopped and our workmen thrown out of employment. These are not the only disadvantages which the American manufacturer suffers. The surplus stocks of foreign goods are thrown upon our markets irregularly, thus producing fluctuations of prices, and disturbing the steady pursuits of industry. The American manufacturer must contend, besides, against the unpatriotic prejudice in favor of foreign goods unhappily so prevalent among consumers, a prejudice persistently fostered by dealers, because they can obtain larger profits on the foreign article than on the domestic, the cost and quality of the former being less generally known than of the latter. Nothing less, therefore, than the full measure of protection asked for in the bill herein proposed can sustain the woollen industry in full vigor and active operation, and enable the American wool-growers and wool manufacturers to perform their part in bringing our country to its maximum of wealth, power, and dignity; for, to use your own words, "no nation can maintain a real independence and suitable self-respect, make due progress in civilization, and attain accumulation of capital needful to progress in the useful arts, unless it produces its own food and clothing, builds its own houses, makes its own furniture, provides for defence by maintaining sufficient military and naval power, develops its own mines, and maintains a system of internal transportation and intercourse adequate to all the wants of its inhabitants, and unless by such means it affords employment to all its laborers, and full scope for all the mental and physical activities of its people."

We have the honor to be, very respectfully, your obedient servants,

E. B. BIGELOW,  
T. S. FAXTON,  
EDWARD HARRIS,  
S. WILEY EDMANDS,  
N. KINGSBURY,  
THEODORE POMEROY,  
S. W. CATTELL,

*Executive Committee of the National*

*Association of Wool Manufacturers.*

JOHN L. HAYES,

*Secretary.*

Hon. STEPHEN COLWELL,  
*United States Revenue Commissioner.*

## EXPLANATORY KEY.

The following key or appendix to "the statement of the executive committee of the National Association of Wool Manufacturers, relative to proposed duties on wool and woollens," addressed to the United States Revenue Commission, in April last, is intended to exhibit more in detail the data from which the amount of the neutralizing duties and taxes on the leading articles of woollen and worsted manufacture were derived; also the comparative amount and percentage of duties on the same articles under the present and proposed tariffs, distinguishing the proportion of the whole duty respectively paid on account of duty on wool, duties on other imported materials, the internal revenue tax, and protection to the manufacturer. The reader of the following tables and memoranda will please bear in mind that fractions of cents and of ounces are expressed by decimals.

To ascertain the actual position of the more important branches of the woollen manufacture under the present tariff, the government of the "National Association of Wool Manufacturers," at a meeting held in the city of New York on the sixteenth day of January, 1866, appointed a committee to obtain fabrics for a foundation of a statement of the present amount of protection on American woollen goods, and gave the said committee the following instructions.

1. Get samples of fabrics which will be a fair representation of classes to which they belong, both foreign and American.
2. Ascertain their weight per yard.
3. Their price, or cost, in gold abroad.
4. The amount of duty paid on said fabric.

In conformity with these instructions, the committee obtained samples of fancy cassimeres, black doeskins, and broadcloth, which have been preserved, and are herewith exhibited; of which samples the weight, cost, and present duty appear by the following tables, to wit:

FANCY CASSIMERES.—(Duty at 40 per cent. ad volorem, and 24 cents per pound.)

Samples.	Weight.	Cost in gold.	Duty.
	Ounces.	Dollars.	Cents.
Sample No. 1 .....	7.25	95	48.87
" 2 .....	8	1 00	52.00
" 3 .....	7.50	1 00	51.25
" 4 .....	5.50	45	26.25
" 5 .....	6	52	29.80
" 6 .....	8	95	50.00
" 7 .....	8	1 00	52.00
" 8 .....	15	1 25	72.50
" 9 .....	14	1 15	67.00
" 10 .....	14	1 10	65.00
Average .....	9.33	93 70	51.47

BLACK DOESKINS.—(Rate of duty as above.)

Sample No.	Weight.	Cost in gold.	Duty.
	Ounces.	Dollars.	Cents.
Sample No. 1 .....	8.50	1 12	57.55
" 2 .....	8.50	65	38.75
" 3 .....	8	70	40.00
" 4 .....	9	1 00	53.50
" 5 .....	8.50	1 05	54.75
" 6 .....	8.50	87	47.55
" 7 .....	7.50	61	35.65
" 8 .....	8	90	48.00
" 9 .....	10	1 12	59.80
Average .....	8.50	89 10	48.39

## BROADCLOTH.

Samples.	Weight.	Cost in gold.	Duty.
Sample No. 1 .....	16	1 75	94

These samples having been examined by members of the association present, comprising many of the best-informed manufacturers of woollens in the United States, were pronounced to fairly represent the goods of the classes to which they belong, imported into and manufactured and consumed in the United States. From the preceding data the following table A was then constructed, which table furnishes the basis for the construction of the succeeding table B, showing the operation of the present and proposed tariffs on manufactures of wool as affecting the consumer:

## A.

*Table showing the foreign cost of a running yard of cassimeres, black doeskins, and broadcloths; the amount of custom duties imposed thereon; the amount of the neutralizing duties and taxes, and of the advance in wages and expenses consequent upon the war; the amount of the custom duties remaining as protection, after deducting the neutralizing duties, taxes, &c.; and the percentage of the same on their foreign cost; the fractions of cents and ounces being expressed by decimals.\**

Items.	Cassimeres.	Black doeskins.	Broadcloths.
Average weight per yard .....	9.33 oz.	8.50 oz.	16 oz.
Average cost per yard abroad .....	93.70 cents.	89.10 cents.	175 cents.
Custom duties on foreign cost, exclusive of charges .....	51.47 "	48.39 "	94 "
<i>Neutralizing duties, taxes, &amp;c., viz:</i>			
Custom duties on the wools used .....	13.99 cents.	12.75 cents.	24 cents.
Custom duties on the drugs and other materials .....	1.46 "	1.33 "	2.50 "
Internal revenue tax on manufactured goods† .....	10.12 "	9.62 "	18.90 "
Advance in wages and expenses consequent upon the war‡ .....	16.33 "	14.77 "	28 "
Total .....	41.90 "	38.47 cents.	73.40 cents.
Deducting said totals from said duties, there remains as protection per yard .....	9.57 cents.	9.92 cents.	20.60 cents.
Which, on the foreign cost, is only .....	10.21 per ct.	11.13 per ct.	11.77 per ct.

\* The statements in this table, including the valuation of the articles on which the internal tax is computed, are based on *gold at par*.

† In fixing the value of the articles, for the purpose of estimating the amount of this tax, it is assumed that the value of the home article will not fall below the cost in gold of importing a similar article; and, as the present duty and expenses of importation amount to about 80 per cent. on the foreign cost of the goods, the foreign cost of the goods, with 80 per cent. added, is taken to be the proper valuation of the articles for taxation.

‡ This item embraces the advance in wages, the internal taxes on domestic materials used in manufacturing and in repairs, the increased cost of transportation, and the increase of State taxes and other expenses consequent upon the war.

materials, the internal revenue tax, and the protection to the manufacturer; and also the increase of duty under the proposed tariff.

Examples—Specification of articles.	Quantity of goods.	Weight of goods.	Cost abroad, exclusive of charges.	Duties and taxes under present tariff.						Duties and taxes under proposed tariff.						Increase of duty under proposed tariff.				Difference in the percentage of net protection to the manufacturer under the proposed tariff, as compared with the present tariff.	
				Duty on wool.	Duty on dyestuffs and other materials.	Charges on account of duties, 10 per cent.	Internal revenue tax.	Manufacturers' duty.	Total.	Duty on wool.	Duty on dyestuffs and other materials.	Charges on account of duties, 10 per cent.	Internal revenue tax.	Manufacturers' duty.	Total.	Percentage of increase on foreign cost of wool.	Percentage of increase on foreign cost of manufacture.	Per ct.	Cents.		
Cassimeres:		Ozs.	Cents.																		
One yard of average weight and quality.....	1	9.33	93.70	13.99	1.46	1.54	10.12	24.36	51.47	26.82	1.46	2.83	10.85	21.74	63.70	36.66	13.05	12.23	2.80, less.		
A suit of clothes made of the above (coat, pantaloons, and vest) will take 7½ yards.....	7½	69.98	702.75	104.92	10.95	11.59	75.90	182.66	386.02	201.15	10.95	21.21	81.40	163.04	477.75	36.66	13.05	91.73	2.80, less.		
Black doekins:																					
One yard of average weight and quality.....	1	8.50	89.10	12.75	1.33	1.41	9.62	23.28	48.39	24.44	1.33	2.58	10.28	20.71	59.34	36.66	12.29	10.95	2.88, less.		
Pantaloons and vest made of the above will take 3½ yards.....	3½	27.62	289.57	41.44	4.32	4.58	31.26	75.67	157.27	79.43	4.32	8.37	33.39	67.34	192.85	36.66	12.29	35.58	2.88, less.		
Broadcloths:																					
One yard of average weight and quality.....	1	16.00	175.00	24.00	2.50	2.65	18.90	45.95	94.00	46.00	2.50	4.85	20.11	40.79	114.25	36.66	11.57	20.25	2.95, less.		
A coat made of the above will take 2½ yards.....	2½	36.00	394.00	54.00	5.62	5.96	42.52	103.40	211.50	103.50	5.62	10.91	45.25	91.78	257.06	36.66	11.57	45.56	2.95, less.		
One yard of high-cost broadcloth.....	1	16.00	300.00	24.00	2.50	2.65	32.40	97.45	159.00	46.00	2.50	4.85	32.34	72.31	158.00	36.66	Less.	1.00, less.	2.38, less.		
A coat made of the above will take 2½ yards.....	2½	36.00	675.00	54.00	5.62	5.96	72.90	219.27	357.75	103.50	5.62	10.91	72.76	162.71	355.50	36.66	Less.	2.25, less.	8.38, less.		
One square yard of cotton and wool delaine....	10	16.00	192.00	24.00	4.50	2.85	20.74	45.51	97.60	46.00	4.50	5.05	22.52	49.13	127.20	36.66	15.42	29.60	1.88, more.		



It will be seen, by inspection of the Table B, that fractions of cents and ounces are expressed by decimals. In fixing the value of the articles for the purpose of estimating the amount of the internal revenue tax, it is assumed that the value of the home article will not fall below the cost in gold of importing a similar article, and with the present duty and expense of importation will amount to about 80 per cent. on the foreign cost of the goods. The foreign cost of the goods, with 80 per cent. added, is therefore taken to be the proper valuation of the article for taxation. This is the mode by which the amount of the internal revenue tax on the various articles is determined under the present tariff. It is assumed, that, under the proposed tariff, the home value of the articles will be increased in proportion to the amount of the proposed increase of duty. The internal tax, therefore, under the proposed tariff, will be increased in amount equal to the rate of the internal revenue tax on the increase of duty. In the statement of the executive committee, ten per cent. on the foreign cost of the article is assumed to be sufficient to cover the internal revenue tax of six per cent. on the home value. But on the basis of calculation above given it will be insufficient. For example: the home value, under the present tariff, of a cassimere costing 93 cents abroad, with 80 per cent. added, is 167.40 cents. Six per cent. of that amount would be 10.04 cents. Ten per cent. upon the foreign cost would be 9.30 cents. Under the proposed tariff, 12.23 cents, the amount of increase of the duty, would be added to the present home value, 167.40 cents, making the home value under the proposed tariff 179.63 cents. Six per cent. of that amount would be 10.77 against 9.30; showing that ten per cent. upon the foreign value is not equal to six per cent. upon the home value by 1.47 cent, without providing for the internal tax upon the domestic materials.

In estimating the increase of duty on wool under the proposed tariff, set down in the table at 36.66 per cent. on foreign cost, Mestiza wools, which are the principal competing wools, are assumed to average fifteen cents per pound, as indicated on page 12 of the "Statement of the Executive Committee," &c.

It will be seen by the table, that the percentage of protection to the manufacturer, under the proposed tariff, upon cassimeres, doeskins, and broadcloths, constituting the bulk of woollen goods imported into and manufactured in this country, is less than under the present tariff; and that upon high cost broadcloths, in consequence of the ad valorem duty being reduced from 45 to 35 per cent., the protection is over 8 per cent. less. It appears by the table, that in delaines, by far the most important manufacture of dress goods in this country, the protective duty under the proposed tariff is slightly increased. If full allowance were made, in adjusting the proposed duty, for the proposed duty on cotton, the percentage of protection would be less than under the present tariff, as will be seen by reference to page 22 of "Statement of Executive Committee," which shows the manner in which the duties were adjusted.

The preceding Table B shows that the cost of goods to the consumer is enhanced by the duty less than is generally supposed. It will be seen, that on the cloth required for a full suit of clothes made of fancy cassimeres, which suit at present prices would not cost less than fifty dollars, the whole duty under the present tariff is 386.02 cents, being 7.72 per cent. of the cost. Of this, 104.92 cents is the duty on wool; 10.95 cents, the duty on dyestuffs and other materials; 11.59 cents, the charges on account of duties; 75.90 cents, the internal revenue tax; and 182.66 cents remains for the protection of the manufacturer.

The table shows that, under the proposed tariff, the whole duty will be 177.75 cents; the duty on wool will be 201.15 cents; the duty on dyestuffs and other materials, 10.95 cents; the charges on account of duties, 21.21 cents; and the internal revenue tax, 81.40 cents. The whole amount of duty on a suit of clothes, by which the manufacturer is to be sustained, will be only

163.04 cents, or 3.26 per cent. of the whole cost of a suit of clothes. By comparing the duties and taxes under the present and under the proposed tariff, as exhibited in the table, it will be seen that the total amount of increase of duty on a suit of clothes will be less than one dollar.

## CARPETS.

The amount of neutralizing duties and charges on the materials used in the manufacture of the leading descriptions of carpets is exhibited in the table on page 27 of the "Statement of the Executive Committee" before referred to.

The data from which these amounts were respectively derived are contained in the following memoranda:

*Ingrain carpets.*—The duty on the *washed* wools used in the manufacture of ingrain carpets is six cents per pound, and on the *unwashed* wools three cents per pound. 100 pounds of the washed wools will make, on an average, 64 pounds of finished carpets; and of the unwashed, 32 pounds. Now, if we divide \$6, the amount of duty paid on 100 pounds of washed wool, by 64, the number of pounds of carpets which said 100 pounds of wool will make, the quotient will be 9.375 cents; showing that the duty on the wool in the finished carpets is 9.375 cents per pound, which is equal to 0.585 cents per ounce. \$3, the duty on 100 pounds of unwashed wool, divided by 32 pounds of carpets, gives the same result: we may therefore take the average amount of duty on the wool in ingrain carpets to be 0.585 cents per ounce.

Two-ply carpets of standard quality weigh, on an average, 20 ounces per yard; which, multiplied by 0.585 cents, the duty per ounce, gives 11.70 cents as the amount of duty on the wool required for a yard of two-ply carpet.

Three-ply carpets weigh, on an average, 26 ounces per yard; which, multiplied by 0.585 cents, the duty per ounce, gives 15.23 cents as the amount of duty on the wool required for a yard of three-ply carpet.

*Tapestry carpets, and carpets wrought by the Jacquard machine.*—The wools of which these carpets are made consist, on an average, of one part of Canada combing-wool to four parts of Cordova, or other similar wool paying a like duty; the Canada wool being required for certain colors.

The duty on Canada wool is twelve cents per pound and ten per cent. ad valorem, which is equal to 16.50 cents per pound; and as two pounds of wool are required for one pound of worsted, it follows that the duty on the wool in the worsted amounts to 33 cents per pound.

The duty on Cordova and other suitable wools is 6 cents per pound; and as three pounds\* of such wools are required to make one pound of worsted, it follows that the duty on the wool in the worsted amounts to 18 cents per pound. Now, as four pounds of this worsted are used to one pound of the Canada, the average amount of duty paid on the wool in the worsted used is as follows:

4 lbs. of Cordova, &c., worsted, at 18 cents per lb. ....	72 cents.
1 lb. of Cordova worsted, at 33 cents per lb. ....	33 cents.

5 lbs. divided into. ....	105 cents.
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Gives. ....	21 cents. per lb.
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Average duty on the wool for one pound of worsted, 21 cents per pound, is equal to 1.312 cents per ounce.

\* The waste of Cordova wool in working is now much more than it used to be. Formerly 2.60 pounds of wool would make a pound of worsted, whereas now fully three are required.

Tapestry Brussels carpets, of standard quality, require 9 ounces of worsted per running yard, which multiplied by 1.312 cent, the duty per ounce, gives 11.80 cents as the amount of duty on the wool used for a yard of tapestry Brussels carpet.

Tapestry velvet carpets, of standard quality, require 13.50 ounces of worsted per running yard, which multiplied by 1.312 cent, the duty per ounce, gives 17.71 cent as the amount of duty on the wool used for a yard of tapestry velvet carpet.

Brussels carpets, five-frame, of standard quality, wrought by the Jacquard machine, require 19 ounces of worsted per running yard, which multiplied by 1.312 cent, the duty per ounce, gives 24.92 cents as the amount of duty on the wool used for a yard of this kind of carpeting.

Wilton carpets, five-frame, of standard quality, wrought by the Jacquard machine, require 30 ounces of worsted per running yard, which multiplied by 1.312 cent, the duty per ounce, gives 39.36 cents as the amount of duty on the wool used for a yard of this kind of carpeting.

*Duties on the linen yarn.*—Linen yarn, of the quality used in the manufacture of the carpets above designated, costs abroad, on an average, 23 cents per pound, on which the 30 per cent. duty amounts to 6.90 cents per pound; and if, in addition to this, we make the usual allowance for the waste of the yarn in working it, the amount of the duty on a pound of linen yarn in the carpets will be, at least, 8 cents per pound. Now, as tapestry velvets and Wilton carpets each require one pound of linen yarn per running yard, the duty on the linen yarn for these carpets will be eight cents per yard; and as tapestry Brussels carpets, and Brussels carpets wrought by the Jacquard machine, each require only three-fourths of a pound of linen yarn per running yard, the duty on the linen yarn for these carpets will be 6 cents per yard.

By comparing the foregoing results with the respective amounts of duties on the wool and on the linen yarn used in the various kinds of carpets, as exhibited in the table before referred to on page 27 of the statement of the executive committee, they will be found to correspond. The amounts of the duties on the wools used, as given in this table, exceed those given in a similar table on page 6 of the "Statement of the carpet manufacturers." As respects fine carpets, viz. tapestry Brussels, tapestry velvet, Jacquard Brussels, and Wilton carpets, this excess is due to the proposed duty on Canada wool, no allowance, as will be seen by referring to page 7 of the manufacturers' statement, having been made for this duty. As respects two-ply and three-ply ingrain carpets, the slight excess is due to different bases of calculation; the proposed specific duty on the carpets, however, being within the amounts given in the manufacturers' statement. In adjusting the specific duties on carpets, no allowance is made for the loss on the noils consequent upon the duty on wools, as explained on page 4 of the manufacturers' statement.

*Statement of facts relative to Canada wools and the manufactures of worsteds.*

NEW YORK CITY, February 9, 1866.

SIR: The undersigned, members of the executive committee of the National Association of Wool Manufacturers, have the honor to submit to you, as the member of the Revenue Commission specially intrusted with the consideration of the questions of revenue applicable to wool, woollens, and worsteds, the following "Statement of facts relative to Canada wools and the manufactures of

l," prepared by the secretary of the association above named, and to add the facts and views therein presented to your special attention. We have the honor to be, very respectfully, your obedient servants,

E. B. BIGELOW,  
T. S. FAXTON,  
EDWARD HARRIS,  
J. W. EDMANDS,  
N. KINGSBURY,  
THEODORE POMEROY,  
S. W. CATTELL,

*Executive Committee, &c.*

STEPHEN COLWELL,  
*U. S. Revenue Commission, Philadelphia.*

NATIONAL ASSOCIATION OF WOOL MANUFACTURERS,  
*Office, 55 Summer street, Boston, Massachusetts, January 18, 1866.*

*Executive Committee of the National Association of Wool Manufacturers:*

GENTLEMEN: I have the honor to call your attention to a statement of facts in relation to the demand for consumption in American manufactures of the class known as "combing-wools," as distinguished from card or cloth wools. The former class are wools specially fitted for the process of combing by hand machinery, which consists in drawing out the fibres so that they may be straight and parallel; the shorter portions, called "noils," being removed by selection. The fibres having been rendered straight and parallel, are, and the yarn is called worsted. The ends of the fibre being covered in the process of spinning, the yarns are smooth and lustrous.

Card or cloth wool is wool fitted for being carded. By this process the fibres are directed in every possible direction in relation to each other, adhering by the ends of the fibre, which are more numerous in the wool fitted for carding. The yarn is thus fitted for felting, and the ends of the fibre are free to be drawn out in the nap. While card wools are required to be fine, short in staple, and without spiral curls and serratures—qualities possessed by wools of which the Merino and Saxony wools are types—the combing-wools, on the contrary, must be of long staple, from four to seven inches in length, comparatively coarse, without spiral curls and serratures, and possessing a distinct lustre. These wools are possessed in perfection by the English sheep of the Lincolnshire, Leicester, and Cotswold races, and, in a less degree, by the Cordova wools of the Argentine Republic and the Donskoi wool of Russia. Comparatively long wools of the merino race, from two and a half to three inches in length, are used for making delaines and similar fabrics, but they are not classed in the same category as combing or worsted wools.

An unprecedented demand for these wools has arisen in all manufacturing departments within the last ten years, and the prices have more than doubled in that period.

This is due, first, to the vast improvements in combing by machinery within the past fifteen years; secondly, to the late scarcity of cotton; and thirdly, to the introduction of fabrics from alpaca wool, and the discovery that a substitute for cotton warps, with a filling of combing-wool, an admirable substitute might be made for alpaca fabrics. There is an immense demand for these wools for female wear.

Goods manufactured from combing-wools, or worsteds, are alpaca fabrics, merinos, grenadines, and an infinite variety of fabrics for female wear, the consumption of which is constantly increasing. The texture and pattern of the goods can be changed indefinitely to suit the caprices of fashion, and they constitute the great bulk of the class known as "novelties;" furniture goods, mohair lamasks, reps, mohairs, &c.; hosiery goods, such as zephyrs, nubias, &c.;

braids, bindings, bunting, webbing for saddlery and suspenders. Carpets are made from coarse and cheap combing-wools, the white yarns being made from Canada wool. It is the opinion of manufacturers that the finer classes of carpets could be made wholly of Canada wool with advantage.

The vast variety of fabrics included in the worsted manufacture is illustrated by the following list of goods professed to be made by one firm in Bradford, the seat of the worsted manufacture in England :

Amiens.	Mohair figures.
Alpaca lustres.	Lustre orleans.
Figured lustres.	Figured orleans.
Buntings.	Cotton warp orleans.
Camlets—Mexican make.	Worsted princettas.
Dutch make.	Alepires.
East India and China make.	Queen's cloth.
Camletees.	Worsted figured Russells.
Worsted crapes.	Union figured Russells.
Union crapes.	Silk warp figured Russells.
Mixed crapes.	Worsted serge de berrie.
Grandville crapes.	Union serge de berrie.
Cotton warp cubicas.	Shalloons.
Crape coatings.	Plain shotts.
Cobourgs.	Figured striped shotts.
Shawl cloth.	Says, stout make.
Plain backs.	Says, merino make.
Worsted stockinetts.	Mixed stockinetts.
Worsted damasks.	Grandville stockinetts.
Union damasks.	Webbings.
Merino damasks.	Summer cloths.
Worsted dobbiees.	Stout orleans.
French figures.	Denmark latteens.
Worsted full twills.	Wildbores.
Cotton warp twills.	Tammies.
Grograms or Russell cords.	Tournay cloths.
Plain and fancy gambroons.	Chipa cloth.
Linings.	Pelliones.
Italian crapes.	Ponchos and mantas.
Worsted lastings.	Yergas.
Moreens.	

The importance of the manufacture is evinced by the fact that the worsted manufacture employed in England, in 1856, 87,794 persons; while the card-wool manufacture employed only 79,091. In France this industry employed, in 1851, 300,000 persons. In this country, in 1860, less than 3,000 were employed. Worsted goods constitute the largest part of our importations. Of sixty millions of woollens and worsteds, forty millions were of worsted alone.

The manufacture of worsteds, which is just beginning to have an important development in this country, owes its existence to the reciprocity treaty, which admitted, free of duty, the wools of Canada. The farmers of Upper Canada, of English and Scotch descent, naturally prejudiced in favor of the sheep husbandry which prevails at home—as England is still called in the colonies—and having a taste for English mutton, imported sheep of the Leicester, Cotswold, and Down races, which have thriven admirably on the naturally rich limestone soils of Upper Canada. The present production of wool from these sheep in Canada is about six millions of pounds. The Canadians have no fine-woolled sheep. Protected by a tariff, they consume about two millions of their own wool in the manufacture of coarse cloths, including tweeds, which have been imported largely

the United States, notwithstanding the duty on cloths, and we use the balance of from three to five millions.

I have before me an approximate estimate, made by a worsted manufacturer in England, of the amount of combing-wools required for our principal mills, which is as follows:

	Pounds.
Worcester Mills, Lawrence, stuff-goods, grenadines .....	300, 000
Woolen mills in Lawrence .....	200, 000
Hilton Company, Lowell, stuff-goods .....	300, 000
Woolen Carpet Company, stuff-goods .....	250, 000
Worsted Company, yarns .....	200, 000
Woolen Dugdale, Lowell, yarns .....	150, 000
— Rhoades, Lowell, yarns .....	100, 000
Woolen Saydan, Lowell, yarns .....	75, 000
Woolen & Moore, Westford, yarns .....	110, 000
American Braid Company, Pawtucket, R. I., yarns and braids ....	100, 000
Woolen & Son, Pawtucket, R. I., yarns and braids .....	75, 000
Woolen Worsted Company, Providence, R. I., fancy hosiery and braids	250, 000
Woolen Mills, Connecticut, worsted damasks, brocatelles, &c .....	150, 000
Woolen Yewdell, Philadelphia, yarns .....	100, 000
Woolen Yewdell, Philadelphia, yarns .....	150, 000
Woolen nton, Troy, N. Y., yarns .....	50, 000
Woolen deen, near Paterson, N. J., yarns .....	50, 000
Woolen ow Carpet Company, white yarns .....	100, 000
Woolen Chester Print-Works, for stuff-goods bought last year .....	300, 000
	<hr/>
	2, 900, 000
	<hr/>

The amount ascertained to have been used in other mills not included in this estimate will carry the present yearly consumption of Canada wools to at least 3 million pounds.

The American production of worsted combing-wool is not sufficient to supply one mill, if the treaty should not be renewed, or some provision be made for the free admission of Canada wools, the worsted manufacturer will be compelled to pay the *whole* of the present high duty on wools, of the class consumed in England, from which his foreign rival is exempt.

The wool adapted to the worsted manufacturer cost now in Canada, in gold, from thirty to forty to forty-five cents. The duties, under the present tariff, are on wools from thirty-two cents, twelve cents and ten per cent. ad valorem. If the present tariff should operate on Canada wools, the duties on wools commonly used at present prices would range from forty to thirty-seven per cent. It is shown by sworn statements of manufacturers, submitted herewith, that these duties on raw material, together with other neutralizing duties, such as the internal revenue tax, would reduce the nominal protection of from thirty-five to fifty per cent. the duty on foreign worsteds to an actual protection ranging from zero to four per cent. It is vain to suppose that worsted manufacture can be continued or increased under such disadvantages.

The duty on Canada wools would crush an industry which has already assumed a national importance, and has advanced with a rapidity unexampled in the branch of our textile manufactures. It is shown by the statements under oath of four leading manufacturers, herewith submitted, (see statement of Samson and others,) "that worsted yarns, of the finer grades, were made in this country only to a very limited extent prior to 1860 or 1861, except for delaines. The introduction of the manufacture of the finer worsted yarns is due to the admission of Canada wools, admitted free under the reciprocity treaty. We ex-

timate the capital now employed in the manufacture of the various kinds of worsted goods at eight million dollars, and the yearly value of the product at not less than ten million dollars. We do not hesitate to say that, in our opinion, the whole of this manufacture is dependent upon the supply of Canada wool, and that if Canada wool should be subjected to duties ruling under the present tariff the greater part of this manufacture would be suspended.

Mr. Morse, a leading manufacturer of braids, says, in his sworn statement, herewith submitted: "The first manufacture of worsted braid in this country was commenced, in 1860, with sixteen English machines. We estimate that three thousand machines for braiding worsted are now in operation in this country, that the operation of these machines requires a capital of one million of dollars, and that the annual value of the product is three millions. With the present supply of yarns, and the present machinery, it is impossible to supply the demand. We have orders to-day for a hundred thousand dozen of braids ahead of our production. The existence of this manufacture is wholly dependent upon the supply of Canada wool."

If the manufacture of a single article of the hundreds which may be made from these combing-wools is so important, there can be no doubt of the correctness of the estimate made by one of the most experienced observers of the American wool market, Mr. Bond, who stated, at the Syracuse convention, that "we should readily and promptly consume in this country not less than twenty million pounds of such wools, if we had the supply."

The adoption of a policy which would overthrow this most promising of all our textile manufactures can be warranted only by unquestionable countervailing advantages to American producers—the wool-growers, for example.

Excluded as the wool-growers of the west especially have been from communication with eastern manufacturers and uninformed, like most others in the community, of the peculiar uses to which these wools are applied, it is quite natural that their first impression should be unfavorable to the free admission of Canada wools. It is believed, however, that a candid consideration of the facts will convince even our western farmers that no possible advantage to the wool-growers of the United States can accrue from a duty on Canadian wools. They do not, in fact, compete with the wools now produced in this country. It is safe to say that not 300,000 pounds of combing-wools are produced in the United States, and we export to Canada for her mills a much larger quantity of our fine wool. That this estimate is large is shown by the statistics of Ohio, the largest sheep-growing State in the Union, and furnishing about one-sixth of our whole production. The whole number of sheep in Ohio, in 1862, as shown by the agricultural reports, was 4,448,227. The number of Cotswold and Leicester sheep, producing combing-wool, is set down for 1863 at only 3,324, which, at seven pounds per fleece, produced 23,268 pounds of wool. This multiplied by six, the proportion of sheep in the rest of the United States to Ohio, would make the whole product of combing-wool 139,592 pounds.

It is believed that combing-wools can be grown with great advantage in this country, particularly since the enormous relative increase in price of these wools, and it is believed that much incidental benefit will accrue to the country from the improvement in mutton and lambs which will be effected by the culture of long-woolled sheep. But the inducement for growing this wool must come principally from the demand of our manufacturers. Check the worsted manufacture, and there will be no hope of introducing this species of sheep-husbandry, which is one of the most important sources of the agricultural wealth of England.

The American producer of fine wool may need protection against the fine wool of Australia and La Plata, produced by cheaper labor. But the cost of production of combing-wools in Canada and similar districts of the United States would be nearly equal, the cost of labor being nearly the same. The American who goes into the production of combing-wools near the great cities, the only

uation where this wool will be likely to be raised, will have the advantage in giving his wool, mutton, and lambs nearer the market. The American production of combing-wool will probably never be repressed by Canadian competition, while the Canadian supply will keep the mills running, which will make a demand for wool for both the Canadian and American. Canadian sheep-husbandry will not compete with American fine-wool husbandry, for the latter differs from the former as much as it does from pork-raising. Fine-wool husbandry adapted to the prairies of the west and the hill-sides of the Alleghanies, where sheep are raised for wool principally, in flocks of a thousand or more, and the sheep are not killed until they are old. The long-wool husbandry is adapted to stall-feeding or high farming in the neighborhood of the great markets, where there is a sale for fat mutton and early lambs, the wool being only an accessory. The sheep are kept in small flocks, and are killed as soon as they reach maturity.

The encouragement of the worsted manufacture by means of free Canadian wool would, in fact, benefit the American wool-growing interest by increasing the demand, and consequently the price, of the kind of wool at present most in favor with the American producer; I mean the heavy Vermont merino fleece. This wool, on account of its strength and superior length, is admirably fitted for fine stuff-goods for female wear, the manufacture of which is carried on in England and France, in the same establishments which work the combing-wools; the products, being fitted for the same consumption, can be put on the market together. The mills in this country which have lately introduced the manufacture of alpaca fabrics from Canada combing-wools have at the same time introduced the manufacture of Cobourgs—a kind of soft stuff-goods from the American merino fleece. I can point to the establishments of the Lowell Manufacturing Company and the Pacific Mills, where both classes of fabrics are made. To introduce the manufacture of stuff-goods into this country, now our greatest necessity, the supply of both kinds of wool is necessary, and the demand for the long combing-wools will certainly create an increased demand for the peculiar wool of the American merino. It is working exactly so in England at the present time. The price of English combing-wool is now unprecedented, while that of cloth wools remains stationary. At the last quarterly sales, in December, Australian merino combing-wools, analogous to Vermont merino wools, advanced fourpence a pound.

If these views are correct, there remains but one argument for imposing a duty on Canadian wools—the necessities of the revenue. But it is evident that the American manufacturer cannot import and pay the onerous duty which will be operative under the present tariff; and it is equally evident that the loss to the internal revenue by diminishing the manufacture will be greater than any gain from a duty on wool.

The imposition of duty on Canadian wool would, therefore, be a suicidal act, justified by no possible advantage; and would be a concession, not to our farmers, who would suffer by the act, but to mere popular prejudice. It would be an act of bad faith to the manufacturers who have erected expensive establishments, and imported costly machinery, upon which they paid a duty of over forty-five per cent. in gold upon the faith that treaty stipulations would have a permanence not expected in legislative provisions.

It is true that Canada derives great benefit from selling her wools in this country at fifty cents a pound; but how much greater benefit do we derive from employing them to nationalize a great manufacture in this country! It is a benefit to the English wool-growers for two or more centuries to send their combing-wool to Flanders; but Flanders, by the command of the wool of England for her manufactures, became the richest commercial nation in Europe. In the supply of wool Canada is to us what England was to Flanders before the time of Edward III, who kept his wool at home; and what



Ireland is to England now, and what England desires all the world to be to her besides. We wish to apply to Canada the lesson which England has taught us ; and it is not our fault that Canada is also pressing for the freedom to export her raw material, and is blind to the obvious fact that such a policy will always keep her impoverished and dependent.

These views are presented with the conviction that the American producer of wool will derive no possible advantage from a tax on Canadian wools ; and they are presented with the distinct admission that, if the American wool-grower can furnish reasonable evidence that a duty on Canadian wools will aid his production, he has a right to demand it, and we are bound to concede it.

The American consumers of Canadian wool do not desire to complicate the matter in which they are specially interested with the question of the termination or renewal of the reciprocity treaty. But, in case of its termination, they feel justified by the foregoing facts in asking that Canadian wools, by a special legislative provision, may be admitted free of duty. Such a provision for admitting combing-wools only would be objectionable on account of the practical difficulty at the custom-house in determining what are combing-wools ; for portions of some fleeces may be selected for combing, while other portions may be used for carding. But so little carding-wool will be received, the Canadians not producing enough card wool to supply their own mills, that it would be better to submit all Canadian wools to the same provision.

The above proposition is made upon the consideration that the simplest mode of preserving the worsted manufacture is to continue the system under which it has grown up. But the popular prejudice against any form of free trade with the British provinces, and the consideration that the advocacy of the above plan may be an apparent abandonment of the principle of protection, suggest another mode of affording relief to the worsted manufacturers. The alternative plan is therefore suggested, if a duty shall be imposed upon Canadian wools, of placing an additional duty upon manufactures of worsted sufficient to be countervailing against the duty on wool. This plan would be in harmony with the principles upon which the present tariff laws are based. It is believed that such an additional duty would not materially check importations, and would add largely to the revenue.

I have the honor to be, very respectfully, your obedient servant,

JOHN L. HAYES, *Secretary*.

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#### APPENDIX.

##### *To the United States Revenue Commission :*

The undersigned representatives of ——— companies engaged in the manufacture of worsteds, viz : Samuel Fay, superintendent of the Lowell Manufacturing Company ; Allan Cameron, agent of the Abbott Worsted Company ; O. H. Moulton, agent of the Hamilton Manufacturing Company, respectfully submit the following statement in regard to the manufacture of worsteds :

Worsted yarns of the finer grades were made in this country only to a very limited extent, prior to 1860 or 1861, except for delaines ; the yarns manufactured prior to that being principally designed for carpets. The introduction of the manufacture of the finer worsted yarns is due to the command of Canada wools admitted free under the reciprocity treaty. Yarns for the weft of worsted stuff goods are made of long, lustre combing-wools, such as are grown upon sheep known as Leicestershire, Cotswold, and similar breeds, raised in England and Canada.

Other worsted fabrics are made with warps manufactured from wool described

above, and worst made from the longest merino wool. Machinery specially adapted for manufacturing worsteds from long combing-wools has been imported from England, and is adapted for no other purpose; so that, if the raw material is wanting, the machinery must be idle. The Canada wools used for making worsted in this country are fully equal to the English combing-wools; and the fabrics made in this country are equal, in all respects, to imported fabrics. There is a demand for all that can be manufactured from the present machinery.

We estimate the capital now employed in the manufacture of yarns and the various kinds of worsted goods at \$8,000,000, and the yearly value of the product of worsted goods at not less than \$10,000,000—this exclusive of manufacture of delaines, in which American merino wools are used with the shorter Canada wools.

We do not hesitate to say that, in our opinion, the whole of this manufacture is dependent upon the supply of Canada wool; and that, if Canada wool should be subjected to duties ruling under the present tariff, the greater part of this manufacture will be suspended.

SAMUEL FAY,

*Sup't Lowell Manufacturing Company.*

O. H. MOULTON,

*Sup't Hamilton Manufacturing Company.*

JOHN C. MORSE & CO.

ALLAN CAMERON.

STATE OF MASSACHUSETTS, *County of Suffolk, ss:*

Sworn to and subscribed before me the 13th day of January, 1866.

FRANCIS S. DYER, *Notary Public.*

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*To the United States Revenue Commission:*

The undersigned, John C. Morse & Co., of Massachusetts, respectfully represent that we are engaged in the manufacture of worsted braids, at Attleborough, Massachusetts. We have employed at our establishment an average of five hundred machines all the time. With that quantity of machinery running, we can manufacture braids of the value of \$800,000 per annum, which value we are, in fact, now manufacturing; and we expect to manufacture a value of \$1,000,000 per annum. These braids are made of worsted yarns spun from Canada wool. The machines for braiding which we use are of American invention, made expressly for manufacturing worsted braids in this country, and are great improvements upon English machines; being simpler, and costing about half the price, and taking but half the power to work them.

The first manufacture of worsted braid in this country was commenced in 1860, with sixteen English machines. We estimate that three thousand machines for braiding worsted are now in operation in this country; that the operation of these machines requires a capital of one million dollars, and that the annual value of the product is three millions. With the present supply of yarns and the present machinery, it is impossible to supply the demand. We have orders to-day for 100,000 dozen of braids ahead of our production.

The existence of this manufacture is wholly dependent upon the supply of Canada wool. The American yarns made of Canada wools are superior for the manufacture of braids to the English yarns.

JOHN C. MORSE & CO.

STATE OF MASSACHUSETTS, *County of Suffolk, ss:*

Sworn to and subscribed before me this 13th day of January, A. D. 1866.

FRANCIS S. DYER, *Notary Public.*

*The carpet manufacture.—A statement of facts addressed to the United States Revenue Commission.*

GENTLEMEN: The undersigned, representatives of five of the large carpet manufacturing companies of the United States, employing an aggregate capital of \$6,600,000, viz: George Roberts, treasurer of the Hartford Carpet Company, Connecticut; E. S. Higgins, partner of the firm of E. S. Higgins & Co., New York city; Samuel Fay, superintendent of the Lowell Manufacturing Company, Lowell, Massachusetts; M. H. Simpson, president Roxbury Carpet Company, Roxbury, Massachusetts; and Charles A. Whiting, treasurer of the Bigelow Carpet Company, Clinton, Massachusetts, in response to your inquiries in relation to the condition and wants of the great industries of the country, with a view of reporting to Congress upon the subject of raising revenue by taxation, respectfully submit the following statement in regard to the carpet manufacture:

The carpets manufactured in this country consist largely of three varieties, viz: two-ply and three-ply ingrain carpets; tapestry Brussels and tapestry velvet carpets, printed on the warps; and Brussels and Wilton carpets, wrought by the Jacquard machine. Venetian and other descriptions of carpets are also made here, and likewise mats and rugs, but the peculiar condition and wants of this important branch of industry can be fully understood by a consideration of the facts applicable to the three varieties of carpets above designated.

In the manufacture of carpets no domestic wools are used, for the reason that they are not only too costly, but too fine to make a serviceable fabric. Canada combing-wool is used to a limited extent, but the main supply comes from Russia, Asia, and South America.

The wools used for carpets are subjected to the process called combing, whereby the long fibres are separated from the shorter ones, the former being called worsted and the latter noils. In ingrain carpets the worsted forms the warp, and the noils the filling; whereas in tapestry carpets and in Jacquard wrought Brussels and Wilton carpets only the worsted is used, flax or tow being used for the filling and a part of the warp, thus leaving the noils to be disposed of for other purposes. The market price of the noils is usually considerably below their cost, subjecting the manufacturer to a loss on the sale of them, which loss increases in a ratio greater than the cost of the wools from which they are made increases; consequently, the greater the duty on the wools the greater the loss on the noils.

For carpets, both washed and unwashed coarse wools are used. The washed wools, such, for example, as Donskoi, Cordova, Montevideo, Rio Grande, and Persian, pay a duty of six cents a pound, and together produce an average of sixty-four per centum of their weight of finished goods; and the unwashed, such as Smyrna, Chilian, Valparaiso, and other South American wools, pay a duty of three cents a pound, and average to produce thirty-two per centum of their weight of finished goods—that is, one hundred pounds of the various washed wools will produce an average of sixty-four pounds of finished goods, and one hundred pounds of the unwashed, thirty-two pounds of finished goods.

For particular colors in fine carpets, Canada combing-wool is indispensable; and if, after the expiration of the reciprocity treaty, it shall be subjected to the tariff of twelve cents a pound, and ten per centum ad valorem, the manufacture of such carpets will be very seriously embarrassed.

According to the English custom-house returns, the "declared value" (the value in England) of British carpets and druggets exported to the United States in each year, from 1860 to 1864, inclusive, was as follows, viz: In 1860, £360,140; in 1861, £126,934; in 1862, £237,204; in 1863, £268,318, and in 1864, £280,442, showing a decline during the last year of the war, as compared with the year previous to the war, of only £79,698.

From the best sources of information accessible, we estimate the present annual value of the carpets manufactured in the United States at \$15,000,000, the capital employed therein at \$10,000,000, and the number of persons who derive their means of support therefrom 10,000, more than 5,000 being actually employed in the mills and workshops.

Though the existing duties on carpets may appear to be high, apart from the premium on gold, they afford very little protection to the manufacturer, for the reason that they are so largely neutralized by the duties on the wools and other imported materials used, the internal taxes, and the advance in wages and expenses consequent upon the war.

*The following table shows the sterling cost in England of a running yard (the ingrain being a yard wide, and all the others three-fourths of a yard wide) of each of the standard qualities of the three varieties of carpets before designated; the amount of the customs duties imposed thereon; the amount of the neutralizing duties and taxes, and of the advance in wages and expenses consequent upon the war; the amount of the customs duties remaining as protection after deducting the neutralizing duties, taxes, &c.; and the percentage of the same on their foreign cost.*

Items.	Ingrain carpets.		Tapestry carpets, printed on the warp.		Carpets wrought by Jacquard machine.	
	Super two-ply.	Super three-ply.	Brussels.	Velvets.	Five-frame Brussels.	Five-frame Wilton.
Cost of carpets in England . . . .	3s. 2d.	4s.	3s. 2d.	5s. 2d.	5s. 6d.	7s. 5d.
Duties on carpets . . . . .	35 cts.	40 cts.	37½ cts.	60 cts.	60 cts.	50 per cent. ad valorem.
<i>Neutralizing duties, taxes, &amp;c.:</i>						
Duties on the wools used . . . .	10½ cts.	14½ cts.	10 cts.	15 cts.	21 cts.	33 cts.
Duties on the linen and tow yarn . . . .			6 cts.	8 cts.	6 cts.	8 cts.
Duties on drugs and other foreign materials . . . . .	2 cts.	2½ cts.	3 cts.	4½ cts.	3 cts.	4 cts.
Internal taxes on carpets . . . .	7½ cts.	9½ cts.	7½ cts.	12 cts.	11½ cts.	18 cts.
*Advance in wages and expenses . . . . .	6½ cts.	7½ cts.	8 cts.	12 cts.	10 cts.	15 cts.
Totals of neutralizing duties, taxes, &c. . . . .	26½ cts.	34 cts.	34½ cts.	51½ cts.	51½ cts.	78 cts.
Deducting said totals from said duties on carpets, there remains as protection, per yard . . . .	8½ cts.	6 cts.	3½ cts.	8½ cts.	8½ cts.	14½ cts.
Which, on their cost in England as above given, is only . . . .	11½ per ct.	6 per ct.	4½ per ct.	6½ per ct.	7 per ct.	8 per ct.

\* This item embraces the advance in wages, the internal taxes on domestic materials used in manufacturing and in repairs, increased cost of transportation, and the increase of State taxes and other expenses consequent upon the war.

The statements in the above table, including the valuation of the carpets on which the internal tax is computed, are based on *gold at par*. They show that under the present adjustment of the tariff and internal tax laws, with gold at par, the three principal varieties of carpets made in the United States—after deducting from the amount of customs duties imposed on the manufactured article the amount of the neutralizing duties, taxes, &c.—receive an average actual protection of less than seven and a half per centum, the highest rate on any one description being eleven and a half per centum, and the lowest four and a half per centum.

In deducing these results, no allowance is made for the impending duty on

Canada wool, nor for the increased loss on the *noils* consequent upon the existing duties on other wools, as above explained.

The premium on gold, of course, gives a protection additional to the percentages above given, in the ratio in which the gold cost of the imported carpets exceeds the gold cost of the imported materials used by the home manufacturer, and at its present rate (forty-five per centum,) makes the aggregate amount of protection ample. But this form of protection is fluctuating and unreliable, and will wholly cease when gold falls to par. With a decline in gold, wages and expenses may decline somewhat, but not at once, nor can they ever fall to the standard which prevailed before the war, while the cost of the articles of subsistence is so largely enhanced by taxation. From the foregoing facts it must be obvious to all acquainted with the conditions of manufacturing success in the United States, that, though the carpet manufacture, by reason of the premium on gold, is now amply protected under the existing revenue laws, it will nevertheless be exposed to a ruinous foreign competition whenever the protection afforded by the gold premium shall be withdrawn.

The carpet manufacture requires more complex, and consequently more costly machinery, in proportion to the value of its product, than that used in the manufacture of woollens, and some branches of it are of comparatively recent growth. Considering these facts, and the advantages which low wages, abundant capital, long-established and widely-extended business connexions give to our foreign competitors, no specific duty on carpets amounting to less than twenty-five per centum *ad valorem*, above all neutralizing duties and taxes, would equalize these conditions and place us on a fair basis of competition with them. In view of the large amount of capital invested in the carpet manufacture, and the great number of persons dependent upon it for their support, we would express the hope that in any re-adjustment of the tariff and internal revenue laws which may be made, due consideration may be given to its peculiar necessities.

Very respectfully,

SAMUEL FAY,

*Superintendent Lowell Manufacturing Company.*

M. H. SIMPSON,

*President Roxbury Carpet Company.*

CHARLES A. WHITING,

*Treasurer of Bigelow Carpet Company.*

GEORGE ROBERTS,

*Treasurer of Hartford Carpet Company.*

E. S. HIGGINS,

*of the firm E. S. Higgins & Company, New York.*

COMMONWEALTH OF MASSACHUSETTS, *County of Suffolk :*

JANUARY 12, 1866.

Then personally appeared the above named Samuel Fay, superintendent of the Lowell Manufacturing Company; M. H. Simpson, president of the Roxbury Carpet Company, and Charles A. Whiting, treasurer of the Bigelow Carpet Company, and severally made oath that the foregoing printed statement, by them subscribed, is, according to their best knowledge and belief, true.

Before me,

A. W. ADAMS, *Justice of the Peace.*

STATE OF CONNECTICUT, *County of Hartford :*

JANUARY 13, 1864.

Then personally appeared George Roberts, treasurer of the Hartford Carpet Company, and made oath that the foregoing statement, by him subscribed, is true to the best of his knowledge and belief.

Before me,

ROBERT E. DAY, *Justice of Peace.*

## CITY AND COUNTY OF NEW YORK, ss :

On this 18th day of January, 1866, personally appeared before me Elias S. Higgins, of the firm of E. S. Higgins & Co., and made oath that the foregoing printed statement by him subscribed, in accordance to his best knowledge and belief, to be true.

H. FAY, *Commissioner of Deeds.*

*Letter exhibiting the condition and necessities of the knit goods manufacture, addressed to Hon. Justin S. Morrill, chairman of the Committee of Ways and Means, May, 1866.*

SIR: The undersigned have been appointed by the National Association of Knit Goods Manufacturers a committee to present to you a statement of the present condition and necessities of the hosiery business in this country. In the brief time allotted to us, largely occupied by current engagements, it has been impossible to collect full statistics as to the business; and we shall aim to do nothing more than to present such facts as will serve to give a general impression of the national importance of this industry, and of its claims to the fostering care of the national legislature.

The knitting industry is employed in the manufacture of goods which are classed under the general denomination of hosiery, consisting chiefly of stockings, socks, shirts, drawers, braces or suspenders, gloves, caps, shawls, &c., made of wool, cotton, or silk, an elasticity being given to the fabric by knitting, which is not found in woven goods. The knitting industry is quite recent in its origin compared with that of weaving. It dates back no later than the invention of the stocking frame by the Rev. William Lea, of Cambridge, England, in 1585. Previous to this time, women, even of the superior classes of society, wore cloth hose—cloth fitted, and sometimes rudely so, to the leg, and either gartered (as in the case of the countess of Salisbury) or laced or buttoned—while for men, wearing breeches reaching to and fitting the foot, the use of stockings was unnecessary. The knowledge of the art of knitting by hand was confined to few persons; and it is related that a pair of knit silk stockings, manufactured in Spain and presented to Queen Elizabeth, were worn by her as an article of rare luxury. Lea failed to introduce his machines in England, and carried them to France, from whence they were brought by his workmen to Nottinghamshire, in England, where the manufacture was successfully established and still flourishes, as well as in the counties of Derbyshire and Leicestershire; this trade employing in England upwards of eighty thousand individuals, the entire manufacture being estimated by Mr. Simmonds, in 1860, at £4,000,000 annually; the value of declared exports in 1858 being £1,015,693.

The manufacture of knit goods, scarcely known in this country before 1844, and at that time having a value not exceeding forty thousand dollars, received the great impulse to which it owes its recent development during the late war, from the scarcity of goods and the high prices of gold and exchange, which gave a protection never before enjoyed. Capitalists and manufacturers were thus induced to attempt the production of the finer classes of hosiery, never before undertaken. Prior to the war the business of knitting was confined almost exclusively to low-priced heavy goods and to fancy hosiery, in which the superiority of American taste, and the adaptation of goods to the peculiar wants of our consumers, and to the ruling fashions, gave us the control of our own market. Still the trade was limited, and exhibited nothing like a national importance. Manufacturers were few and scattered, and failed to represent their condition and necessities before the proper committees in Congress and the

national legislature; consequently, the tariff provisions were inadequate to give the encouragement which a new industry required, and which was afforded to other branches of manufacture.

At the commencement of the war the government became the largest purchaser of the heavier and staple classes of hosiery goods, such as shirts, drawers, blouses, and stockings. This demand on the part of the government was so great that our own workshops were not only put under requisition for additional machinery, but the enterprise and energy of our manufacturers and capitalists became thereby excited to transfer more fully to our shores, and to develop to a still wider extent, a branch of industry which had hitherto subjected us to a heavy tribute to England and Germany. With this view a large outlay of capital has been incurred in importing from those countries looms, knitting frames, and a variety of auxiliary machines adapted to the manufacture of the finer descriptions of goods, accompanied by skilful operatives to work and to teach others to work them here; whilst the genius and skill of our own machinists have been successfully exerted at the same time to the achievement of new triumphs (as the records of the Patent Office will show) in the various important inventions and improvements recently made in this particular class of machinery.

Of the industrial developments produced during the war, nothing was more striking or interesting than the beneficent effects of this new manufacture. Lucrative employment was given to a large number of hands, mostly American women, thus affording sustenance and comfort to many families whose protectors and supporters were fighting the battles of the Union, and materially contributing to that prosperity at home which sustained the hearts of the north in the great struggle.

The manufacture of knit goods by machinery is extensively carried on in the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania, and has been recently introduced into Ohio and Illinois; and, with proper encouragement, will doubtless be extended into the western States.

There is field enough for the manufacture, if we can supply our own markets. The use of knit goods, particularly of under-clothing, of a firm and substantial quality, requiring the best American wool, is rapidly extending among the laboring classes, women and children.

The following conjectural estimate of the consumption of knit goods in this country is not regarded as exaggerated by persons familiar with the trade. With a population of thirty-five millions, we may suppose that there are eight millions who, from poverty, mildness of climate, or other causes, do not wear stockings, leaving twenty-seven millions, who will use at least three pairs per annum, requiring eighty-one million pairs, or six million seven hundred and fifty thousand dozen, the value of which, at \$3 per dozen, which is considered a fair estimate at present prices, would be \$20,250,000. Estimating that there are eighteen million males, one-half of whom will wear knit shirts and drawers, and allowing one shirt and one pair of drawers to each of the nine million males per annum, one million five hundred thousand dozen will be required, at \$12 per dozen, of the value of \$18,000,000. Estimating that there are seventeen million females, one-quarter of whom will wear under-vests and drawers, and allowing only one garment to each, three hundred and seventy-five thousand dozen, at \$12 per dozen, of a total value of \$4,500,000, will be required, making the whole value of the above staple goods alone, required for American consumption, \$42,750,000.

It is the peculiar characteristic of the manufacture of knit goods by machinery, as compared with most other of our textile manufactures, that, while a vast saving over goods knit by hand is effected by the use of machinery, there still remains a large portion which requires to be finished by hand, and that by the

very best class of hand workmen, and particularly workwomen; so that the labor upon this class of goods suffers most severe competition from the cheap hand labor of Europe. While one of the great public advantages of our manufacture is that it gives extensive employment to females in their own homes, affording profitable occupation for time not required for ordinary domestic duties, the necessity for such hand labor is one of the great difficulties with which we have to contend. These features, as well as the other peculiarities of our manufacture, will be best exhibited by considering more in detail several distinct branches of our industry.

We estimate that there are twenty sets of cards employed for preparing the material for what is known in the trade as all-wool Shaker socks, distributed in small mills having one or two sets each. There are required for each set of cards in the mill ten hands, producing about thirty-five dozen per day for each set. The goods are made by machinery, with the exception of the heels and toes, which require to be supplied by hand. This is all done outside the mill, giving employment to operatives at a distance of twenty miles or more from the mill. A woman can heel and toe four pairs per day, giving her whole time to the work. Thus there is required the labor of one hundred and five women all the time for each set, or of two thousand one hundred to finish all that are produced by the twenty sets. But this work gives partial employment to a much larger number of individuals, as much of the work is done by them while partially employed in household duties. In certain districts of Maine, New Hampshire, and Vermont nearly the whole female population, within a radius of twenty miles from the mill, may be seen at work at their own homes in finishing the goods partially fabricated by machinery. In these goods the main fabric is knit by power, while the heels and toes are finished by ordinary hand knitting; this peculiar construction of the fabric being an original American idea.

Another branch of the knit-goods manufacture is that known as hand-seamed hose and hand-seamed shirts and drawers. In this class of goods the knitting is wholly done by machinery and the seams are closed solely by hand. Each set of cards in a mill turning out goods of this class will employ about twenty-five hands per set in the mill, producing sixty dozen of hose per day, and will employ eighty hands outside for seaming. The whole number of sets occupied in this branch of manufacture cannot be accurately given, but cannot be less than eighty. Thus, six thousand four hundred hands will be constantly employed outside the mill in this branch of manufacture.

The following is an accurate statement of the operation of a mill of this class in Massachusetts for six months ending January 1, 1866:

Cost of hosiery manufactured in six months.....	\$32,510
Cost of material, on which an excise tax has been paid independently of the duties on wool .....	4,740
Cost of labor .....	7,520

Number of hands employed in mill, 26.

Number of seamers constantly employed outside, 85.

A distinct class of knit goods is known as fancy hosiery. This manufacture is pursued in Massachusetts, Rhode Island, and New York; but most extensively in Philadelphia and vicinity, where it gives employment to many thousand hands.

The articles manufactured comprise, in part, ladies' hoods, shawls, son-tags, jackets, victorines, nubias, scarfs, comforters, afghans, leggings, gloves, mits, basques, balmorals, &c.

All of these articles are made of the best American fleece wool, no other being used, with the exception of some Canada wool for worsted goods. They require the finest and most expensive dyes, which were formerly imported from Europe; some of the aniline dyes costing as high as \$50 per pound. Fortu-



nately they are largely replaced by equally good aniline dyes of American manufacture, an incidental result of the establishment of the hosiery business in this country, for which these dyes are principally used. A manufacturer of fancy hosiery states that, in using the product of four sets of cards after the yarn is made, his establishment gives employment in knitting, weaving, croqueting, seaming, knotting, rough-mending, finish-mending, sorting, putting up, boxing, and packing, to four hundred and fifty individuals—men, women, and children. The principal part of the labor in the fancy-hosiery manufacture is performed by a class of American women who would shun employment in an ordinary cotton or woollen mill, but find in this healthful, cleanly, and tasteful manufacture an attractive occupation.

The most important part of knit fabrics is that known as machine-made goods, in which the webbing is wholly made by power, and the sewing done by machine. This, however, does not make the finished article; after machine work, hand labor is required, for rough-mending, bleaching, and dyeing, boarding, pressing, finish-mending, making, stamping, tacking, tying, and boxing—all distinct operations, requiring a large number of hands. The number of hands employed in machine work is estimated at ten thousand.

This branch of the knit-goods manufacture has attained its greatest development in the State of New York. It is as characteristic of Cohoes and its neighborhood as the fancy hosiery is of Philadelphia and Germantown, and the peculiar woollen manufactures are of certain old towns in England.

We will barely mention, without dwelling upon them, other branches of the manufacture, such as those of hand-frame and full-fashioned goods, stockinets, rubber-boot linings, nets, &c, and call your attention to a branch of the manufacture of recent development, which is capable, with proper encouragement, of vast extension in this country. We refer to cotton hosiery.

The manufacture of cotton ribbed goods has been carried on in this country some twelve or fifteen years, and, with the exception of some hand-frame stockings, constituted the whole of our cotton hosiery up to the year 1863. The same causes which strengthened the production of other knit goods during the war induced the employment of capital and skill in the production of classes of cotton hosiery never before attempted in this country.

Indeed, essays have been made in the production of all kinds of cotton hosiery, and with the most promising results as to the attainment of the necessary skill and the acquisition of the most efficient machinery, much of which has been wholly original. Machines are in operation knitting three hundred round per minute. The machinery had hardly been put in operation, with the investment of capital of at least a million and a quarter of dollars, when, with the close of the war, the flood of foreign importations deluged the country. The agents of foreign manufacturers, to whom we had shown our goods, and who had watched the rising manufacture with alarm, openly declared, for we give their very words, "We are bound to kill you if we can." The system which England has invariably pursued, of attempting to control the manufactures of other countries in their infancy, was put in the most active operation. Foreign goods were poured into the country at prices below the cost of production, and made still lower by fraudulent devices in invoicing. The American manufacturer of these fabrics has been engaged, since the first starting of his mills, in a desperate struggle to keep his own market at the sacrifice of his goods; while at the same time he has had to encounter all the difficulties of acquiring skill and machinery, and educating workmen, bearing at the same time the heavy burden of the internal revenue tax, and receiving comparatively no relief from the nominal ad valorem duty of merely thirty-five per cent. upon foreign goods, no specific duty being provided under existing laws.

The result of these new enterprises thus far has been, that the manufacture of cotton hosiery has been invariably carried on at a loss, and must inevitably

die out, unless relieved by a sufficient specific, in addition to the ad valorem duty.

The variety of fabrics in the knit-goods manufacture is so great, and the proportions and kinds of raw material which they contain are so variable, that it would be impossible to present by specific data—as might be done for the mere staple manufactures of cassimeres and flannels, or woven goods generally—the operation of the present tariff laws upon our industry, or the cost of manufacture of hosiery goods in this country, in comparison with imported goods of a similar kind. We must confine ourselves to reiterating the statements concurred in by all of our manufacturers, that, with the increase of prices of labor since the war, and the addition of State and government taxes rendered necessary by the war, the protection intended for this industry is at present unavailing. No class of manufacturers suffers more than we do from this system of fraudulent invoices; and as these frauds will always exist under the system of ad valorem duties, it is an imperative necessity, for the very existence of our industry at home, that the duties should be as far as practicable specific, and that the specific duties should be sufficiently high to fully cover the neutralizing duties on raw material used in our manufacture.

It is believed that no branch of manufacture in this country is more in need of protection to place it on equality with the productions of cheap European labor. Although this perhaps has been sufficiently demonstrated by the facts already presented, it is further illustrated by the statement given in a late address before the Association of Knit-Goods Manufacturers by its president, that “the item of labor is much greater in a hosiery mill than in a flannel mill, while the production of the latter is larger than the former.” He says: “In evidence of this fact, I am permitted to state that the actual production of a three-set flannel mill, running on fancy shirtings, for six months, was \$145,034 80, and the cost of labor was \$16,300; while the production of a three-set hosiery mill, running on all-wool socks, hand heeled and toed, was \$87,463, and the labor account \$23,580, for six months.”

We are permitted to submit the following statement of the comparative cost of the principal operations in the manufacture of hosiery, prepared by a practical English manufacturer recently established in this country:

*Manufacturing prices of American and English hosiery.*

	Wght.	Weaving.		Cutting.		Stitching.		Wetling.		Mending.		Rib top.		Leg.		Heeling.		Footing.		Turning off.		Seaming.		Blanch- ing and boarding.		Folding.		Box.		American cost.	English cost.	Difference.
		American.	English.	American.	English.	American.	English.	American.	English.	American.	English.	American.	English.	American.	English.	American.	English.	American.	English.	American.	English.	American.	English.	American.	English.	American.	English.					
B	1.0	4	3	14	4	5	2	14	1	4	4													23	10	14	4	9	3	514	12	30
30	1.3	54	4	14	4	5	2	14	1	4	4													25	11	14	4	10	4	54	24	30
600	1.11	54	5	14	4	5	2	14	1	4	4													25	11	14	4	10	4	54	25	29
1500	2.1	5	44	14	4					4	4							56	29	8	3	25	10	25	11	14	4	10	4	136	604	75
26 S	2.6									6	1			65	28	35	14	40	15	16	6	45	15	30	16	14	4	10	4	348	904	149
30 S	2.2									6	1			80	30	35	14	45	16	16	6	50	16	30	16	14	4	10	4	373	1004	170
1	1.5	3	9	14	4	74	4			3	4	6	3										13	3	14	4	10	4	451	174	274	
3	1.6	12	8	1	4					3	4	6	3					56	26	8	3	25	10	13	3	14	4	10	4	1334	524	77
4	1.6	12	8	1	4			3	1	3	1							60	28	8	3	30	10	13	3	14	4	10	4	1414	564	83
5	1.13	10	7	1	4			3	1	3	1							60	28	8	3	30	10	13	3	14	4	10	4	1394	574	88

NOTE.—The prices above are estimated per dozen and in cents.

preceding statement, as to the prices of labor on English hosiery, is corroborated by testimony furnished by Mr. Simmonds, in his history of the progress of manufacture in England since 1836. He states certain facts elicited with reference to the earnings of stocking weavers in a trial for libel in the court of exchequer in December, 1859. The evidence of the foreman of the plaintiff manufacturer, was as follows: "The plaintiff lets out between two and three hundred frames. He charges 1s. per week for the narrow frames, and 2s. per week for the broad frames. The largest sum ever paid for a man and his family for mending a frame was from £1 to 22s. per week at the narrow frame. The man is paid from 5s. per week upward to 7s. 6d., to 8s., and 9s.: from the gross we deduct for the rent of the frame. If a man earns 10s. per week, he has to pay from 3d. to 6d. for seaming the stockings, and 1s. for the rent of the frame." For the defence, Mr. H. James said he should prove that the earnings of the poor men were 3s. 6d. per week. The manufacturers employed their work people with frames with which to work, at a rent of 1s. per week and prohibited them from purchasing frames on their own account. A man cost about £3, and the master charged £2 10s. a year for rent to the man. Isaac Abbott, who was not in the plaintiff's employ, deposed: The earnings of narrow-frame knitters average between 6s. and 7s. per week, liable for deductions of 1d. per shilling for scouring the stockings, candles, needles, &c., and 1s. per week for the rent of the frames, leaving from 5s. 6d. to 5s. 1s. 6d. upon. It would require fifteen hours' work a day for five days, and on the sixth day, to earn 12s. per week. From that there would have been deducted 1s. for the frame, 1s. for scouring; it would cost 4d. to 5d. for the rent at this time of year, and there would be an expense for needles. Other witnesses give similar evidence.

striking the contrast with the wages paid in an American hosiery mill, embodied in the following statement, not prepared for the purpose, but taken from the actual current reports of the mill!

*Wages paid in an American hosiery mill for the five weeks ending April 14, 1866.*

## PAID MALE OPERATIVES.

Employment.	Time.	Average time.	Amount.	Average wages per day.	Average wages through the mill per day.
Spinning.....	113	4	\$188 62	\$1 70	} \$1 60
Wool carding.....	30	1	75 00	2 50	
Knicker.....	29	1	45 92	1 58	
.....	88	3	139 50	1 58	
.....	161	6	132 91	82	
Pinners.....	32	1	96 00	3 00	
Knitting.....	310	11	478 34	1 53	
.....	338	12	265 20	80	
Knitting.....	32	1	105 62	3 25	
Knitters.....	90	3	207 31	2 30	
Knitters.....	313	11	527 13	1 68	
Finishing.....	62	2	195 93	3 00	
.....	600	21	1,027 81	1 71	
.....	273	9	424 24	1 51	
.....	130	4	201 91	1 54	
.....	294	1	118 00	4 00	

## PAID FEMALE OPERATIVES.

Employment.	Time.	Average time.	Amount.	Average wages per week.	Average wages through the mill per week.
Cotton card.....	434	16	\$388 00	\$3 15	\$4 50
Wool card tenders.....	88	3	67 18	2 67	
Wool spinners.....	390	14	290 07	2 35	
Cotton spinners.....	358	12	306 84	2 89	
Knitters, circulars.....	817	28	963 77	4 83	
Knitters, footers.....	433	15	456 19	4 00	
Winders.....	887	30	887 57	3 75	
Ravellers.....	208	7	215 65	3 93	
Day hands.....	387	13	420 74	4 41	
Stitchers.....	1,737	58	2,222 16	5 49	
Hand sewers.....	280	10	315 38	4 50	
Rough menders.....	697	24	921 45	5 67	
Finish menders.....	297	10	404 58	5 85	
Cutters.....	260	9	326 96	5 31	
Welting, day hands.....	167	6	141 19	2 79	
Mating, stamping, &c.....	230	8	254 60	4 41	
Crocheting, linking.....	258	9	327 21	5 25	
Folding.....	303	10	368 67	5 07	
Boarding.....	135	5	191 08	6 21	
Seaming.....			557 77		
Others.....					

It becomes now our duty respectfully to suggest such provisions in the contemplated revision of the tariff laws as will place our industry on an equality with other American manufactures; will reimburse the duties and taxes paid upon materials used in manufacture, and for the internal revenue; and give us some assistance in competing with the low wages and accumulated capital of other countries, and in preserving that liberal compensation for labor demanded by the necessities of American civilization.

In respect to the duties upon foreign-knit goods, composed in whole or in part of wool, we commend to your attention, and express our approval of, the provisions contained in the proposed tariff on manufactures, recommended by the executive committee of the National Association of Wool Manufacturers in a statement addressed by them to the United States Revenue Commission. The provisions in relation to knit goods recommended by that committee were adopted after full consultation with the leading knit-goods manufacturers in the country, and were cordially approved by the latter. The views hereafter expressed in the statement referred to are fully in accordance with our own, and the placing the manufacturer of woollen knit goods upon an equality with other manufacturers would remove much soreness existing in relation to the inequality of present provisions; an inequality, however, mainly attributable to the want of proper representations by our own interest.

The portion of statement referred to, respecting knit goods, is as follows:

"It is believed that the provisions under consideration operate more equitably than those of the present tariff in respect to a most important and rapidly-developing industry, that of knit goods. Under the present tariff the duty on shirts, drawers, and hosiery of wool, or of which wool shall be a component material, not otherwise provided for, is fixed at twenty cents a pound, and, in addition, thirty per cent. ad valorem, the specific duty being four cents, and the ad valorem duty being ten per cent. less than upon woollen cloths. The wool

which enters into a majority of these goods is fine American fleece, and, if wholly composed of wool, they would be clearly entitled to the same duty as woollen cloths. A large class of knit goods, including the fancy hosiery, a rapidly advancing and peculiarly American industry, furnishing goods of great beauty and taste, and consuming the most expensive aniline dyes, is made wholly of American clothing wool. These goods, which would cost more than thirty cents per pound, would bear under the bill proposed a specific duty of thirty-three cents, and the same ad valorem duty as is provided for other goods. Another class of knit goods has a portion of cotton, which is introduced to prevent shrinkage. It would be impracticable to separate the goods composed wholly of wool from those partially composed of cotton by placing a less duty on the latter, as all foreign competing goods, whatever their value, would have the same cotton placed in them to bring them within the lower duty. The discretion is sufficiently provided for by the minimum scale of duties. It is desirable that the specific duties on the knit goods should be sufficiently ample to secure full compensation, as the waste in hosiery goods, from cutting, trimming, and fitting, is greater than in other woollen fabrics, while there is a large consumption of trimmings, such as binding, tape, spool-cotton, silk, buttons, open thread, &c., on which duties are paid. The industry of knit goods is entitled to special consideration, from the national importance which it has already attained. The number of sets of machinery employed upon this class of goods is estimated by a committee of the National Association of Knit-Goods Manufacturers at four hundred. The number of hands employed, men, women, and children, is estimated at ten thousand. The aggregate amount of wages paid is set down at \$3,000,000 per annum; the amount of wool consumed, at six million five hundred thousand pounds per annum. The production of the four hundred sets is estimated at \$19,000,000 per annum, paying a revenue tax of \$1,152,000.\*

With respect to the duties upon foreign-knit goods of cotton, we have only to commend to your attention, as fully in accordance with the views of the manufacturers of cotton hosiery, the statements presented and provisions recommended in the report made by the National Association of Knit-Goods Manufacturers on the second day of May last, by a committee consisting of James A. Lawrence, Henry V. Ward, George C. Bosson, S. G. Weston, and Thomas Appleton, which is as follows:

"The committee appointed by the National Association of Knit-Goods Manufacturers respectfully represent: that, after a careful inquiry into the causes which operate to create the present depression and disaster in cotton fabrics of this description, they have become convinced that any reliance for protection on the present tariff of ad valorem duties is misplaced; that the rate of thirty-five per cent. ad valorem is nominal; that the real rate is much less.

"We do not know why this important branch of industry, conducing so much to the comfort of the whole body of our people, should not receive, during its infancy, the same care of the government which has been extended with such happy results to other departments of labor.

"Already we have made great progress in transferring from Europe the machinery and the skill which has heretofore laid us under heavy tribute. Our production is reckoned by millions, and, coming into competition with the foreign importations, it has caused a heavy reduction in the price of all these articles of domestic use. Meantime, it has added another impulse to the energy and ingenuity of our people, and has opened a new avenue to the employment of capital; but the internal taxes, and the practices of foreign agents,

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\* This estimate was derived from statistics obtained from one locality, and from only one branch of the manufacture. From more recent information, we estimate the whole number employed in all branches at not less than 40,000.

have rendered nugatory the protection which it was designed to grant us, and which is now essential to save us from serious and, with many of us, from ruinous loss.

"On an article manufactured here, similar to a foreign fabric, costing at the place of exportation one hundred cents, the excise duty under the proposed law would be ten cents, the tax on cotton ten cents, and the excise and other taxes on the materials used in the manufacture five cents and upwards, making in all twenty-five cents, thus leaving only ten cents instead of thirty-five, which it was the desire of Congress to grant.

"This rate of duty is altogether inadequate to afford us encouragement or protection, (even if its influence were not destroyed by the undervaluation of foreign goods for custom-house entry,) nor will it meet the wants of the government for revenue.

"The committee therefore recommend the adoption of the following schedule of duties:

"On hosiery, shirts, and drawers, composed wholly of cotton, valued at a price not exceeding one dollar per dozen, twenty cents per pound; valued at over one dollar, and not exceeding two dollars per dozen, thirty cents per pound; valued at upward of two dollars per dozen, forty cents per pound, and, in addition thereto, thirty-five per centum ad valorem; and on all knit goods made wholly of cotton, not otherwise provided for, thirty cents per pound and thirty-five per centum ad valorem."

Commending the whole subject to your favorable consideration, we have the honor to be, sir, very respectfully, your obedient servants,

CHARLES H. ADAMS.

GEORGE C. BOSSON.

I. R. SCOTT.

Hon. JUSTIN S. MORRILL,

*Chairman of Committee of Ways and Means,  
United States House of Representatives.*

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